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## Report

drawn up on behalf of the  
Drafting Committee set up by the Resolution of 12 March 1968

on the First General Report of the Commission  
of the European Communities on the  
activities of the Communities

**General Rapporteur: Mr. Lücker**

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ENGLISH EDITION \*)

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\*) This translation must not be treated as an official text. Readers are reminded that the official texts exist only in the Dutch, French, German and Italian languages.

At its session of 12 March 1968 the European Parliament passed a resolution concerning the procedure for examining the First General Report of the Commission of the European Communities on the activities of the Communities in 1967.

On the same occasion the European Parliament appointed Mr. Hans-August Lückner General Rapporteur on the First General Report of the Commission.

Pursuant to the resolution of 12 March 1968, the Committees drafted Opinions on the First General Report. These Opinions are given in the Annexes to this report.

At its meeting on 5 June 1968, the Drafting Committee, set up in accordance with paragraph 9 of the resolution of 12 March, discussed and unanimously approved the draft report and the draft motion for a resolution.

The following were present: Messrs. Lückner, General Rapporteur, De Gryse, (deputizing for the President of the Christian Democrat Group), Miss Lulling, (deputizing for the Chairman of the Socialist Group), Messrs. Achenbach, (deputizing for the Chairman of the Liberal and Allies Group and Draftsman for the Opinion of the Political Affairs Committee), Riedel, (Draftsman for the Opinion of the Economic Affairs Committee), Leemans, (Draftsman for the Opinion of the Committee for Finance and Budgets), Brégégère, (Draftsman for the Opinion of the Committee on Social Affairs and Health Protection), Westerterp, (deputizing for Mr. Bersani, Draftsman for the Opinion of the Committee on External Trade Relations), Moreau de Melen, (deputizing for Mr. Hahn, Draftsman for the Opinion of the Committee for the Association with Turkey).

## Contents

A—Motion for a Resolution .....	3	b) Discussion of co-operation with the United Kingdom and other third countries .....	27
B—Explanatory statement .....	7	c) Need for a research policy .....	28
Preface .....	7	2. Atomic problems .....	28
Introduction .....	8	a) Completion of the second five-year programme .....	28
1. Economic integration .....	8	b) The Euratom crisis and the solutions envisaged to solve it .....	29
2. The years ahead.....	9	c) The supply problem and the problem of a European isotope separation factory .....	29
a) The future development of the Communities .....	9	IV—Social policy and the work of the Communities in the field of information .....	29
b) Developments beyond the stage of the Communities .....	10	1. Social policy and health protection .....	29
3. Europe in the world .....	11	a) Employment, occupational training, re-adaptation of workers and redevelopment .....	29
Chapter I—Internal economic union .....	14	b) Free movement of workers .....	30
I—The internal market.....	14	c) Wages and working and living conditions .....	30
1. Free movement of goods .....	14	d) Social harmonization .....	31
2. Freedom of establishment and freedom to supply services .....	15	e) Health protection .....	31
3. Competition policy .....	16	f) Social aspects of Community policy in other sectors .....	32
4. Taxation policy .....	17	g) Prospects of a Community social policy .....	32
5. Approximation of legislation and the creation of Community law .....	18	2. Occupational training and information .....	32
6. Interpenetration of markets and the impact of the Common Market on consumers .....	19	Chapter II—External relations.....	33
II—Towards economic union .....	20	I—The association of European countries with the Community .....	33
1. General economic and financial policy .....	20	1. The association of the United Kingdom with the ECSC .....	33
2. Agricultural policy.....	21	2. The association of Greece with the EEC .....	33
3. Transport policy .....	23	3. The association of Turkey with the EEC .....	33
4. Regional policy .....	24	II—The association with the African States and Madagascar.....	34
5. Industrial policy .....	24		
6. Energy policy .....	25		
III—Research and technology policy .....	27		
1. General aspects of a common policy on research and technology .....	27		
a) The work of the Medium-term Economic Policy Committee .....	27		

III—Trade and other agreements with third countries .....	35	III—Committee for Finance and Budgets .....	43
IV—Results of the GATT negotiations and relations with the United States .....	36	IV—Committee on Agriculture .....	46
V—Common trade policy and the harmonization of customs legislation .....	37	V—Committee on Social Affairs and Health Protection .....	47
VI—The Community and developing countries .....	37	VI—Committee on External Trade Relations .....	49
<i>Chapter III</i> —Problems of the geographical enlargement of the Community .....	38	VII—Legal Affairs Committee .....	51
<i>Annexes: Conclusions to the Opinions of the Committees</i>		VIII—Committee on Energy, Research and Atomic Problems .....	53
I—Political Affairs Committee .....	40	IX—Transport Committee .....	55
II—Economic Affairs Committee .....	41	X—Committee for the Association with Greece .....	56
		XI—Committee for the Association with Turkey .....	57
		XII—Committee on Relations with African States and Madagascar.....	58

## A

The European Parliament is called upon to pass, in the light of the accompanying explanatory statement, the following motion for a resolution:

### Motion for a resolution

on the First General Report of the Commission of the European Communities on the activities of the Communities

*The European Parliament,*

- (a) having regard to the First General Report of the Commission of the European Communities on the activities of the Communities (Doc. 1/68),
- (b) having regard to the report presented by Mr. Lückner for the Drafting Committee, in accordance with the resolution of 12 March 1968<sup>(1)</sup> (Doc. 58/68),

1. Notes with satisfaction that substantial progress was made in 1967 with regard to important facets of economic unification, particularly through the decisions on (a) completing the customs union by 1 July 1968, (b) the approximation of turnover taxes, (c) the finalization of the common agricultural market for certain important products and (d) the medium-term economic policy, and thanks to the effectiveness of the Community's representatives at the Kennedy Round;

2. Notes with great concern, however, that the disagreements about enlarging the Communities have, of late, slowed down the progress of the Communities themselves and threaten to continue to do so;

3. Repeats its conviction that the Communities must be open to the accession of all the democratic States in Europe which accept the Treaties under which they were founded and the decisions so far taken by the Community institutions and which also aim at the political unification of Europe;

<sup>(1)</sup> O.G. No. C 27 of 28 March 1968, page 5.

4. Again urges the Commission, the Council and the governments to work for a rapprochement, both economical and political, between the applicant States and the Community so as to facilitate their accession, for this is also in the interests of the Community;

5. Calls on the Commission and the Council resolutely and unremittingly to pursue the internal construction of the Community, despite the disagreement about its enlargement;

6. Asks that the economic union be brought about in the next few years;

7. Considers that in future the Community must concentrate on the following priority aims:

- eliminating fiscal and administrative frontiers as well as border controls once the customs frontiers have been abolished,
- completing the introduction of freedom of establishment and freedom to supply services,
- creating a European capital market,
- firmly establishing the basis of a common economic policy,
- deciding on a common approach to international monetary questions and setting up a monetary union,
- encouraging forms of co-operation consistent with economic needs and mergers of European enterprises, while seeing to it that proper competition obtains,
- improving conditions for industrial expansion, particularly by creating a European type of commercial company in law,
- introducing a regional policy on community lines,
- seeing to it that the consumer obtains the full benefit of the creation of the Common Market;

8. Is gratified at the progress made in building up and consolidating a European legal system, stresses the importance of approximating laws as part of the integration process, emphasizes the fundamental rôle of the Court of Justice of the European Communities in interpreting and applying Community law and requests its Legal Affairs Committee shortly to submit a report on the problems raised by the application of Article 177 of the EEC Treaty;

9. Stresses the need to see to it, in fixing agricultural prices, that more effective action is taken in future to guide agricultural production in the desired direction, calls for the co-ordination of measures on price policy, structural policy, social policy and occupational training, and emphasizes the importance to agriculture of making immediate progress in other fields of Community policy, particularly in regard to the fiscal, social, transport and commercial policies;

10. Is gratified at the Council decision of 14 December 1967<sup>(1)</sup> on a precise, albeit limited, working programme for transport, while stressing the need for further transport policy measures, particularly in regulating capacities and harmonizing competitive conditions;

11. Urges the Council and the Commission to make a vigorous effort to end the deadlock over the common energy policy, recalls that the aims of the Protocol for an Agreement of 21 April 1964<sup>(2)</sup> remain relevant and urges that Decision No. 1/67<sup>(3)</sup> for Community coking coal be prorogued after 31 December 1968;

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<sup>(1)</sup> O.G. No. 322 of 30 December 1967, page 4.

<sup>(2)</sup> O.G. No. 69 of 30 April 1964, page 1099.

<sup>(3)</sup> O.G. No. 36 of 28 February 1967, page 561.

12. Finds it regrettable that the work of drawing up a common policy for research and technology which the Council decided to initiate in October 1967 was not actively pursued and stresses that it is essential to the future of the peoples of Europe for technical research and progress to be systematically encouraged and organized at the European level;

13. Asks that a positive decision be taken at an early date on the future of Euratom and considers that the Community should look into the possibility of building a uranium isotope factory so as to secure its long-term supplies of enriched uranium;

14. Notes that, despite the efforts of the Commission, it has not yet been possible to make good the leeway with regard to social policy; it deplores the diffidence of certain governments concerning the Community social policy measures which economic integration demands and calls on the Commission and the Council to make a resolute effort to make headway, particularly on occupational training, employment, occupational readaptation and redevelopment, overhauling the European Social Fund, social harmonization, equal pay for men and women, industrial safety and health protection;

15. Asks that the ECSC policy, which has proved its worth on the readaptation of workers, industrial redevelopment and the building of workers' dwellings, should be pursued.

16. Welcomes the adoption of Community provisions on dumping practices, subsidies or drawbacks and the work of the Commission in harmonizing customs legislation but stresses that the Council must step up the pace of its work if it is to draw up the complete common policy on trade, including relations with the State-trading countries, before the end of the transition period and repeats its view that the Community must, as the world's main trading partner, pursue an outward-looking policy on trade;

17. Is satisfied with the Community's declared readiness to help the United States of America to reduce its balance-of-payments deficit by unilaterally bringing forward the date on which the tariff reductions decided at the Kennedy Round negotiations should come into effect; requests the Commission and the Council to take a very firm stand against protectionist trends in the United States which could jeopardize the results of the Kennedy Round negotiations but notes with satisfaction the submission to Congress by the President of the United States of the Trade Expansion Act 1968;

18. States its satisfaction at the progress of the Association with Turkey but considers that it would be desirable (a) more actively to pursue the approximation of the economic policies of Turkey and the Community, (b) to begin looking into the possibilities of a new financial protocol and (c) to give Turkish workers employed in the Community the benefit of preferential treatment in relation to workers from third countries;

19. Approves the Community's policy regarding the present government in Greece and trusts that a democratic regime and a legal state system will soon be restored in that country so that the Association may continue;

20. Stresses the need, irrespective of negotiations on accession, rapidly to bring to a successful conclusion the negotiations with countries in Europe which have not requested accession;

21. Considers it essential for the Community to elaborate a comprehensive policy for its relations with the countries in the Mediterranean Basin, especially bearing in mind its Associations with Greece and Turkey and the negotiations with Israel, Spain and the Maghreb countries;

22. Expresses its satisfaction with the work of the institutions of the Association between the Community and the African States and Madagascar and the results of the financial and technical co-operation but considers unsatisfactory the development of trade and the conditions governing it, stressing that the Community must conduct the forthcoming negotiations on the conclusion of a new association agreement with due regard for the experience gained;

23. Recommends, with regard to the future organization of relations with other African States, particularly Nigeria and the East African countries, that an outline agreement be concluded with these countries and that this be completed with special protocols concerning each of the countries concerned;

24. Again stresses the Community's special responsibility to the developing countries in view of its economic power and the part it plays in world trade and, with regard to the results of the Second World Trade and Development Conference held in New Delhi, calls for co-ordinated action by the Community with a view to modernizing the economy of the developing countries, improving their exporting opportunities and the conditions governing their trade relations, and continuing and extending the food aid scheme;

25. Refers to the conclusions of its committees, given in the annexes to the present report, and asks the Commission to be guided by them;

26. Remains convinced that it will only be by building an economic and political and federal entity, if necessary in stages, that the peoples of Europe will be able to hold their own in the world of today and tomorrow in peace, freedom, security, independence and prosperity;

27. Therefore comes out strongly against any attempt to weaken the institutional structure of the Community and requests the Commission, in particular, to see to it that its powers and independence are safeguarded;

28. Considers that the Commission should co-operate more closely with the European Parliament, particularly through the participation of members of the Commission in the work of the Parliamentary Committees within the framework of their respective terms of reference;

29. Stresses that the creation of the Community's own resources must be coupled with greater budgetary powers for the European Parliament and asks the Commission, in addition to its expected proposal for 1969 on the final arrangements for financing the agricultural policy, to submit a general plan for the Community's own resources, pursuant to Article 201 of the EEC Treaty;

30. Recalls its earlier requests and proposals for a searching revision of the Community constitution, to include, in particular, a strengthening of the powers of the European Parliament and its election by direct universal suffrage;

31. Asks its President to forward this resolution and the report to which it refers, to the Commission and to the Council of the European Communities.

## B

### EXPLANATORY STATEMENT

#### PREFACE

1. For the first time, the European Parliament has this year been apprised of a General Report on the activities of the three Communities seen as a single unit. This is one result of the merger of the executives which took place on 1 July 1967. The advantages of a single report are obvious. It allows of a comprehensive review of the activities of the Communities, thus obviating the oft-criticized drawback of outlining related problems in different reports which the European Parliament was then necessarily obliged to discuss on different occasions. The Commission has, moreover, taken advantage of the possibility of dealing with sectors coming within the terms of reference of each of the three Communities together, instead of separately, in its report. A further advantage is that it has succeeded in pinpointing the problems clearly and succinctly, thus avoiding making the report unduly voluminous.

2. It is, on the other hand, hard to find any definite policy line in the report. Several Committees have made this point in their Opinions. A General Report on the activities of a year that has elapsed does not, of course, represent an action programme foreshadowing the future but if it is to serve its purpose, it must at least set the essential features of the year in question against both the past and the future; it must bring out the relationships between the factors involved.

There is no doubt that the weaker points in the General Report are at least to some extent due to the fact that the Commission has only been functioning for a short time. It is to be hoped that it will next year try to take into account the suggestions put forward here.

3. The European Parliament has resorted to a new procedure for examining the General Report to deal with the new situation characterized by the single report. The main innovations consist in (a) the publication, as an annex to the report, of the full conclusions of the Opinions of the Committees, (b) the changes in the composition of the Drafting Committee and an enlargement of its terms of reference whereby it was asked, in the same way as a committee, to discuss and to approve the report and the motion for a resolution drawn up by the Rapporteur.

4. The General Rapporteur placed particular stress on the fact that the Opinions of the Committees supplied him with the basis without which he would not have been able to draft his report.

The Opinions were drawn up:

- for the Political Committee, by Mr. Achenbach;
- for the Economic Affairs Committee, by Mr. Riedel;
- for the Committee for Finance and Budgets, by Mr. Leemans;
- for the Committee on Agriculture, by Mr. Brouwer;
- for the Committee on Social Affairs and Health Protection, by Mr. Brégégère;
- for the Committee on External Trade Relations, by Mr. Bersani;
- for the Legal Affairs Committee, by Mr. Bech;
- for the Committee on Energy, Research and Atomic Problems, by Mr. de Lipkowski;
- for the Transport Committee, by Mr. Brunhes;
- for the Committee for the Association with Greece, by Mr. Faller;
- for the Committee for the Association with Turkey, by Mr. Hahn;
- for the Committee on Relations with African States and Madagascar, by Mr. Spénale.

The General Rapporteur would like here to express his deep gratitude to the Committees, to their draftsmen and to the members of the Drafting Committee for giving him many valuable ideas and suggestions both at the meetings of the Drafting Committee and in private conversations.

5. He would like also to thank the members and officials of the Commission who collaborated in meetings of the Committees and supplied additional information, thus helping to a large extent in compiling the General Report. Lastly, he would like to thank the General Secretariat of the European Parliament for the help which it gave him.

## INTRODUCTION

### 1. Economic integration

6. All in all, 1967 was a successful year for the Community: decisions were taken concerning further customs duty reductions and the entry into force of the customs union on 1 July 1968. The common agricultural market was all but completed. A first medium-term economic policy programme was adopted; decisions were taken concerning the harmonization of indirect taxation and the application of an added taxation system; the drive to co-ordinate the short-term economic policies at Community level continued; the Council decided, in December 1967, on transport policy measures; the Community was successful in presenting a united front at the Kennedy Round and was to some extent in agreement regarding world monetary problems; lastly, the long-awaited merger of the Executives took place during the period in question.

In a relatively short period of time the Communities have achieved something that many observers would not have thought possible at the time when the Treaties were signed. The customs union will soon be a reality, the common agricultural policy is very nearly completed, the free movement of workers has been secured, there is freedom of establishment and freedom to supply services in many occupational categories, the Community has its own competition policy and some of the components for a common economic and trade policy. The great work of approximating laws has begun.

7. Yet the problems still to be tackled are immense. A Community policy—the wherewithal for which is already to hand—has to be given final shape and be implemented for such areas as competition and agriculture. In the latter case, discussions about organizing the milk market have demonstrated that it is not enough simply to transfer political responsibilities to the Community. The point at issue is how the Community is to discharge these responsibilities and how governments are to execute Community decisions. Considerable difficulties may be expected next year for example when a decision is taken on the final arrangements for financing the agricultural policy.

In some sectors, half-outlined policies have still to materialize; in others, the groundwork has not yet begun. The economic union has to be translated into reality in the years ahead and balanced progress secured in the various sectors.

8. Economic union presupposes goods moving freely throughout the Community; when customs barriers have been removed, fiscal frontiers will have to be the next priority objective; this will involve harmonizing added value taxation and excise duties and re-organizing monopolies like those obtaining for tobacco, alcohol and petroleum products. Again, to get a common policy for sectors like transport and

energy, some of the indirect taxes will have to be standardized. Similarly, if the Common Market is to be dynamic, direct taxes such as those on loan interest and dividends—without which no common capital market is conceivable—will have to be brought into line with each other.

A common economic policy necessarily implies unifying monetary policies. The governments will have to move towards a common line on the main international monetary issues. At the Stockholm Conference, which took place in the period under review, the governments were not wholly unsuccessful but disagreements persisted on important points. A first step has been taken and it is an important one; perseverance in the efforts to achieve a monetary union is necessary.

9. The approximation of laws must proceed more rapidly. It should be directed primarily at harmonizing the conditions of competition and at removing administrative frontiers. At the same time, frontier controls will have to be phased out. Customs authorities and even political leaders in the Six countries seem irresolute in this matter and one of the major tasks facing the Community institutions is to overcome this. Removing frontier controls is particularly important in view of its psychological as well as economic effects for the public at large. Similarly, the approximation of laws should be directed at enabling European firms to operate freely in the larger market that is coming into being. A European convention on patents, which has been kept pending for years, represents an important stage on this particular road. The unrestricted development of European enterprises must include mergers and co-operation between them where these would be advantageous to the economy as a whole. Obstacles to international mergers must be removed; a European-type company should be set up and the fiscal obstacles to concentrations removed.

10. For the Community to grow into an economic union, it needs a common economic policy. It must continue along the lines laid down in the Council's recommendations on cyclical policy and in the first medium-term economic policy programme. The alternative would be the upsurge within the Community of a vast market lacking any common political direction. Indeed, the experience of recent years has shown that short-term economic difficulties in one member State can have repercussions throughout the other five. Under present conditions there can be no Common Market without a common economic policy.

In the future, the Community institutions will also have to concentrate on devising common policies for trade, transport and energy. They will have to find a satisfactory answer to the problem of working out a joint action in the context of research policy—notably the future of Euratom. Lastly, they cannot go on ignoring the fact that economic integration must be coupled with a clear and convincing social policy at the same level.



## 2. The years ahead

### a) *The future development of the Communities*

11. In the previous chapter a brief outline was given of the measures that will have to be taken to bring the economic union into being. An impressive number of tasks faces the Community; similarly, there are areas which either do not come within the scope of the Treaty or do so only in part and here action is needed because the logic of development does not permit of their exclusion from the sphere of Community co-operation; technical research and technological development<sup>(1)</sup> are two cases in point. Today, Europe is lagging behind the technological leaders and this is one of the decisive issues for the future. Although this leeway is not common to all sectors, some key sectors are definitely concerned. Europe must gradually bridge the gap by making an intensive effort in certain spheres. This is why it is greatly to be regretted that a first attempt, concretized in the Council decision of 31 October 1967, did not lead to any practical steps being taken; the reason, of course, was the familiar difficulties the Community is experiencing. Future negotiations on technological co-operation in Europe will have to include a decision on Euratom's position, for that institution has so far failed to achieve the success hoped for. This state of affairs is not, however, due to the community structure of Euratom but rather to the re-emergence of national self-interest which has stood in the way of any homogeneous community policy for research. It is worth noting here that the resources made available to Euratom in the last ten years have amounted to only ten per cent of the member States' total expenditure on nuclear research. This sharing of expenditure and, hence, of the work to be done, clearly runs counter to the argument put forward time and again that joint research and development ought to make it possible to carry through the kind of large-scale projects which would be too heavy a burden for any member State to carry alone. If the Community is to pursue its work in the field of technology in a way that is both effective and commensurate with the importance of the problems involved, it will have to learn from Euratom's hard experience.

Thus, the Community is faced with tasks that are at once immense, fascinating and almost disturbing with regard to economic, technical and social integration. It seems certain that while the progress so far made has required very great efforts and while it has often only been achieved through dramatic discussions, it would be wrong to believe that future tasks will be easier or that the will to integrate will not be more severely tested. Only a Community that is internally intact and able to rely on the unshakable political will of all the member States to complete the work begun will be equal to these tasks.

<sup>(1)</sup> Opinion of Mr. Achenbach drawn up for the Political Affairs Committee (Doc. PE 19.734).

12. This is precisely why the present situation gives grounds for certain fears. The disagreement over the accession of other countries, particularly the United Kingdom, has given rise to a feeling of crisis and an atmosphere of mutual mistrust within the Community. Furthermore no agreement has been reached on some other important questions. These divergencies have less to do with the long-term objectives articulated in the preambles to the Treaties than with the methods and the institutional structure of the Communities and the pace of integration. The latent disagreements inherent in these issues may come to the surface at any time.

As regards the accession of the United Kingdom and other European States, one can only reiterate the conviction, which the European Parliament has already formally expressed, that the Community must be open to all European States ready to accept the Treaties, the decisions taken by the Community institutions under these Treaties and the ultimate objective of the Communities at the political level. The Six governments have, moreover, signified their agreement on this fundamental matter. The point at issue is whether the United Kingdom is at present in a position to fulfil the conditions laid down. Bearing in mind recent developments in some member States, it may well be asked if Britain's will or maturity ought still to be appraised by reference to such stringent criteria as those formerly postulated. Be this as it may, all that remains is to try and work for a rapprochement between the Community and the applicant States—with their future membership in mind—that will ensure that the Community's internal development is actively pursued<sup>(1)</sup>. This is an urgent task of the greatest political significance. If no solution is found, there will be no prospect for the applications for membership and the completion of the Community will also be threatened.

Nor can the Community defer decisions on institutional matters indefinitely for there is a close link between the material tasks of the Communities and their institutional structures. The Community system has until now been adequate but as economic integration progresses it will reach its limits and this will happen in the not too distant future.

13. It follows from this that the Community, as constituted at present, cannot sacrifice any of the constituent parts of its federal structure. The Commission's political autonomy must be protected against any overt or covert threat. It would be desirable to state this plainly at this juncture because there is an all too pronounced tendency to "clip the wings" of the Commission, to restrict its freedom and make its activities subject to control by committees of national officials—and it is not always one government which is involved. The Commission must firmly resist any such trend, whether it be large-scale or small-scale and here it may be assured of the support of the European Parliament. The closer co-operation with the

<sup>(1)</sup> Opinion drawn up by Mr. Achenbach on behalf of the Political Affairs Committee (Doc. 19.734).

governments, referred to by the President of the Commission in his speech before Parliament in September 1967, might end in the Commission's accepting restrictions on its freedom of political action and on the independent exercise of its right of initiative. Such co-operation was undoubtedly necessary but the Commission should on no account sacrifice its political independence for this purpose.

14. Holding on to what has been won, however, is not enough. A reform of the Community's institutional system is becoming increasingly urgent. The Community is taking over more and more tasks that were once the concern of the States; this trend needs must continue as the economic union progresses. Hence the institutional system must be brought more closely into line with the democratic, constitutional principles common to each of the member States. Within the framework of these efforts Parliament is in a decisive position. From year to year and with each transfer of powers to the Community, Parliament's long-standing claim to increased rights becomes more pressing. In the budgetary context, this claim recently assumed a very concrete expression when, with regard to the introduction of a tax on vegetable and marine fats, Parliament recalled that the Community could not have its own resources unless its own budgetary powers were at the same time increased<sup>(1)</sup>. It is to be hoped that this endeavour will have greater success than the previous ones; in this respect, conditions now appear more favourable. The major decisions on budgetary law will, moreover, have to be taken next year when discussions are held on the final arrangements for financing the agricultural policy. In the last phase of the Common Market, viz: after 1 January 1970, it is planned to finance this from the Community's own financial resources (i. e. levies). The necessary corollary to the Community having its own resources is a real parliamentary control at the European level coupled with budgetary powers; without such control, proposals relating to the Community's own resources would have no chance at all of being ratified by the national parliaments. The same is true of the transfer to the Community of the duties charged on industrial products, a point which has also to be decided upon in this context. The aim should be to use this income as a basis for the Community's own budget. Conditions relating to the legislative powers of the European Parliament are similar to those governing its budgetary powers. Here, too, fundamental reforms are urgently needed.

15. Nor will the European Parliament accept an indefinite adjournment by the Council of the question of direct general elections to ensure representation at the European level. Although the Treaty provisions do not lay down any deadline for a decision on this point, this could hardly justify the Council's complete failure to take any action. To defer taking a decision beyond the end of the

transition period would be inconsistent with both political needs and with the relevant articles in the Treaty. A recent draft resolution showed that Parliament is not prepared to abandon this issue. Recently, too, steps towards direct elections have been taken in the national parliaments.

16. These delicate problems are still waiting to be solved; in the meantime the merger of the Treaties is being prepared. Parliament will have to play an effective part in the elaboration of the single treaty. It has already begun work on this<sup>(1)</sup>. Without wishing to discuss in detail at this stage the many political, legal and economic questions that merging the treaties will raise, one basic requirement can already be stressed: the merger should be one step further towards integration.

17. European integration is faced with a variety of difficulties as well as some resistance; one of these forms of resistance might be described as an aversion, based on a political theory, to the very idea of integration; a further form of opposition, often understandable, hinges on material concessions or sacrifices asked for by certain governments or ethnic groups. Lastly, there are the politicians and administrations who show little inclination to part with their powers or to give up traditional structures and procedures. A sustained drive by the Community bodies and a powerful political resolve on the part of governments will be needed if the Community is to overcome these manifold difficulties.

#### *b) Developments beyond the stage of the Communities*

18. The economic union of Europe began with the Coal and Steel Community i. e. economic integration on a limited scale. It was followed by the attempt to find a comprehensive solution by launching a European defence community and a political community: this came to nothing. Then came the Treaties setting up Euratom and the European Economic Community; these were to be the basis of a broad union which although confined to the economic sphere would, in contrast to the ECSC, cover its whole range.

Economic integration was thus never an end in itself. From the beginning it was part of a broader movement intended to culminate in the political and economic union of Europe. Seen from this standpoint the EEC, too, despite its wider scope, is only a limited form of integration; it is this fact which today causes fears and conflicts. For years a form of unification—other than economic—embracing foreign policy and defence, has been in the offing, without any prospect of becoming a practical reality, if one is to judge by the disagreements as to what

<sup>(1)</sup> Opinion of Mr. Leemans, drawn up for the Committee on Finance and Budgets (Doc. PE 19.668/déf.).

<sup>(1)</sup> See the report drawn up by Mr. Dehousse for the Political Affairs Committee (Doc. 206/67) and the debates of the European Parliament of 15 May 1968.

a 'European' foreign policy should be and as to what institutions such a policy would necessitate. The present situation, in which economic integration co-exists with national policies for foreign affairs and defence, is liable to continue. The question is how long it can do so without touching off a crisis. Parliament has always maintained that there has to be a balance between the Community's economic progress and its political development. Every political group in Parliament deplores the Community's failure to progress politically. There may have been economic progress in some important sectors but the ground to be covered politically is only too plainly visible.

19. The hope of many people used to be that political union would follow on more or less automatically from economic union. As might have been expected this proved too optimistic. It is true that economic union is paving the way for political union but it will not automatically usher it in. There is, none the less, a correlation between economic union and political union. The further one advances with economic union, the more difficult it becomes to have an integrated economic policy side by side with national policies in other spheres. Trade policy is often quoted as an example of how economic policy penetrates into the general political field. There are others. Thus it is reasonable to hope that there will be a gradual trend towards harmonization and that it will continue in those fields when this has already begun to appear. In this process, however, it is important to note that the emphasis could shift either way. The principle of integration could overflow into political areas which have still not come within the Community purview. At the same time we are not completely immune from the danger that nationalism may be restored to favour, even in the economic field and thus impose limits on further economic unification.

20. The vital issue for the economic communities is whether unification can gradually be achieved. It would, of course, be vain to hope for any progress in the immediate future even though co-ordinating national defence and foreign policies or bringing them closer into line with each other is both necessary and desirable when one considers the present situation. Yet this alone will not be sufficient to create a genuine Europe, able to act. To achieve a common political line a straightforward alliance of sovereign States needs to be directed and its basis must be a hegemony; but it is obvious that Europe will not accept the principle of a hegemony. Thus, what Europe needs is more than an alliance; it needs a political federation, a federal European State. To achieve this there are interim stages to go through, such as a confederation of States, and all of these are perfectly possible. They may even be necessary.

21. Some think that for a fairly long time to come this aim will remain utopian and it is sometimes argued that the nation States are still the decisive factor in the European reality of today. This is difficult to challenge. Yet the business of politics is not to apprehend realities or describe them but to give them a certain design and, where necessary, to eliminate

them or to change them. This is particularly true of European unification, where the dominant trend is towards a radical change in European realities.

Similarly, it would be quite wrong to argue that the people of Europe are not ready for unification. They understand the historic significance of the unification process. If the European idea is at present meeting with a general lack of enthusiasm, this is really because public opinion is disappointed that it is simply marking time. It is for those who are politically responsible for Europe to accomplish the European union and for them to give the peoples of Europe, who are already favourable to this idea, the opportunity of living a genuinely shared future together.

### 3. Europe in the world

22. It is too early to predict if Europe will achieve complete economic and political unification. It is true that economic integration can be proud of amazing results that very few would have dared to imagine ten years ago; it is a fact that we must acknowledge it, despite the many problems still outstanding and our impatience at the delays and shortcomings of integration. Economic integration has become a tangible reality, transcending its own sphere, and this justifies certain hopes with regard to political union.

Yet there are large sections of the public who have a feeling, a fear, that the unification of Europe is still threatened. What they feel to be under threat is not so much the achievements of the past as the future, that is to say the completion of economic union and, above all, political unification. The direction taken in the future will depend on governments, parliaments, public opinion and the peoples of Europe themselves. The main point is whether Europe still regards its unity as the main target of its policy. At one extreme, one might even ask if all the governments still regard it as such.

23. Picking up the threads from the twenties, Europe has endeavoured in the post-war years to achieve its union and has gone some of the way towards this. These efforts could not logically be relaxed today unless those reasons which, at that time, determined the policy of European unification had ceased to obtain.

24. Yet these reasons still do obtain. It is true that the material poverty of the immediate post-war years has been eliminated and that the fear of military aggression has also, to a large extent, been allayed, so that for some years now poverty and fear are no longer immediate material motives in the unification of Europe.

Poverty and fear, however, were not the underlying reasons for a policy of European integration in the minds of post-war statesmen. If they were aware of the need for such a policy, this was mainly because they had reached the following conclusions:

- (a) In our time, only a large economic union can provide the peoples of Europe with security and economic progress;
- (b) In comparison with the two great powers, the countries of Europe have become small and are no longer on their own able to have any effective influence on the conduct of world affairs; they are even unable to secure their own defences or to safeguard their vital interests.

25. These arguments are still valid today and will still be valid tomorrow.

This is obvious in the sphere of the economy and of economic policy, and developments over the last ten years only serve to bear this out. It is certain that the creation of a larger market will no longer be enough to guarantee economic, technical and industrial progress. The technological gap between Europe and the United States which is so often referred to is not one that can be bridged simply by opening frontiers or removing obstacles to trade. Europe needs a common policy for industry, research and economic affairs. Yet such a policy presupposes a common political authority which will only be possible if Europe is endowed with a political structure incorporating what Mr. Servan-Schreiber has called a 'federal minimum'.

At the same time, in the context of world policy, the countries of Europe have not been able to play a decisive rôle. They have been relegated to the ranks of spectators over the major issues of world policy. The crisis which shook the Middle East last year was a striking example of this and it also showed that Europe was not even able to exercise a decisive influence with regard to conflicts and crises which directly threatened its vital interests.

26. What is the situation regarding defence? This has, for a long time, been guaranteed by the United States within a framework of a balance of terror; during the fifties, it was guaranteed by the strategy of nuclear deterrents and since the beginning of the sixties it has been guaranteed by the graduated response strategy. Your rapporteur sees this American guarantee as still being the essential component in European defence, even if it is on a lesser scale. Tension is now easing and some argue that the protection of the United States is no longer necessary, or that it is no longer as necessary as it used to be because any risk of Soviet aggression has disappeared. Whichever view one takes, Europe's defence depends on external factors: the protection of one world power, the goodwill of the other world power, the agreement of these two world powers or again, a combination of these factors, but in no way on European policy. It is for Europe to decide if it can regard this situation as a satisfactory and lasting solution to the problem of its defence.

27. In fact, if the countries of Europe do not unite their forces, there is no reason for us to expect any early change in their favour in the balance of power in the world.

It is worth forming an idea of some of the factors which may exercise a decisive influence on the world situation in the years ahead<sup>(1)</sup>.

28. (a) The population of the world will continue to grow rapidly. By around 1985 it will be 5,000 million and it will exceed 6,000 million by the year 2000. The rate of growth will not be the same in all countries or in all regions. The disparities will probably continue to increase, to the detriment of the European countries. Here are the experts' forecasts of population figures for certain important countries:

	(in millions)		
	1965	1985	2000
EEC	182	204	219
European member countries of the OECD	342	379	403
USA	195	256	318
USSR	231	296	352
India	487	761	988
China	755	1,052	1,271

29. (b) The gross national product of the world will also increase considerably. Here again, extremely unequal rates of growth may be expected. According to the estimates of American experts, the relative gap between the per capita GNP in the developed countries and some of the major developing countries—such as China and India—will increase rather than decrease between now and the year 2000. If these estimates prove correct, the developing countries will only be producing a fraction—a quarter, perhaps, or a fifth—of the per capita GNP already achieved in the Community countries, even in the year 2000. The Six, on the other hand, will not achieve the per capita GNP of the United States either in the year 1985 or in the year 2000. None the less, they may perhaps reduce the relative difference to an appreciable degree. It also seems perfectly possible that the per capita GNP of the Community countries will be exceeded, if not in 1985 at least in 2000, by Japan.

These estimates naturally have to be treated with caution. They are based on the rates of growth of the various national economies and these cannot but be the result of estimates. Such estimates are the more uncertain because the period they cover is a long one. Your rapporteur is not, for example, convinced that Japan will be able to maintain its present very high rates of growth in the long term, nor that China will not considerably increase its rate of growth once its economy reaches a certain level. The fact remains that such estimates do offer some guidance and may be used as a basis for political discussions.

30. (c) In any case, it is certain that the rank that nations occupy in the scale of economic and political

<sup>(1)</sup> What follows is based mainly on 'The year 2000' by Kahn-Wiener and 'Le défi américain' by Servan-Schreiber.

values will, in the next twenty to thirty years, largely depend on their ability to keep pace with increasingly rapid scientific and technical progress. The main need will be to keep up with developments in certain key sectors, such as the nuclear industry, space technology, aeronautical engineering and data processing. It is certain that only major powers open to progress, will be able to afford highly advanced work in all these fields. Small and medium-sized countries, which include all those in Europe, will only be able to do this in so far as they concentrate their efforts on certain specific industries. Consequently they will not be able separately, by their own means, to avoid becoming increasingly dependent on those countries that are technically more advanced.

31. (d) In the military sphere, too, progress is extremely fast. Some experts believe that a revolution takes place once every five years in armament techniques. The need for an increasingly rapid renewal of armaments and the 'explosion' of costs inherent in modern defence systems mean, here too, that only the very great powers will be able to keep pace with all the developments right across the board. On the other hand, some of today's modern armaments may be expected to decrease rather than increase in price in the years ahead and thus become more readily accessible to the smaller States. Technical publications on the subject say that even a partially industrialized country could already, or at any rate very soon, produce a moderate quantity of atomic weapons for an outlay of some \$50m. The same sources say that expenditure of \$1,000m to \$2,000m a year—that is an amount not exceeding the resources of a medium power—would suffice for a State to acquire a respectable reserve of long-range missiles. At the same time, these States cannot hope to come anywhere near the level of the super powers, which continue to be the only ones able to build up a complete arsenal of complex and precise offensive weapons, or to create a defence system which cannot be penetrated by the relatively unsophisticated weapons of the small and medium-sized powers. It is even possible to envisage that these defence systems, which could greatly reduce the deterrent power of a smaller atomic nation, could further increase the gap between the super powers and the other States. From the military point of view, the world can now be divided into three categories of countries: the super powers, States having an atomic arsenal of lesser importance and those States having no atomic weapons at all. It does not seem likely that this classification will undergo any decisive modification in the foreseeable future, nor, above all, that there will be any change in the absolute predominance of the world powers.

32. It is thus enough to take a glance at the future to realize that the unification of Europe is more necessary than ever. Europe has still to meet the challenge of the modern world and its new dimensions. According to the very careful calculations of American experts, only organized States with a population of at least 200 million, a high level of education and a gross national product of at least \$300,000m

can maintain the highest living standard and be in the vanguard of progress, independence and power; this only confirms a reality which is obvious to all. These are orders of magnitude hardly reached by the Community on its present scale. A politically and economically united Europe, on the other hand, including the United Kingdom and other countries ready to join, would cross this threshold without any shadow of doubt.

33. The unification of Europe, which would thus become a world power, is not only in its own interest. It would help to secure world peace and, generally, to establish more stable international relations. The bi-polar balance between the two super powers—in their co-operation as well as in their confrontation—which is today the dominant factor in world politics, carries with it dangers and uncertainties which could more easily be controlled under an order involving at least three centres of power<sup>(1)</sup>.

34. The question is how and when will Europe achieve political union and how and when will it be able to overcome its present stagnation. It will only be able to do so if the governments succeed in agreeing on the principles of the common external policy, which also involves a common defence policy. The present differences of opinion concern relations between the European States and the United States and their positions in NATO, on the one hand, and their relations with the Soviet Union on the other. Yet they also involve the rôle that a united Europe should play.

35. A few years ago these relations seemed to be relatively clear. NATO and the Warsaw Pact were two solid opposing blocs. On either side of the Iron Curtain the two world powers held a supremacy that no one could seriously dispute. This does not involve a value judgment on the character and internal structure of the two systems. It was largely the unsatisfactory position held by the European States under this system which led President Kennedy to put forward his view of an Atlantic partnership, that is an alliance between the United States and a united Europe, based on the principle of equal rights.

Since then, the world political scene has evolved in quite a different direction. The American rôle as leader is disputed by Europe and by one European government in particular. The United States, for its part, having appeared to Europeans as the patron of European unification between the end of the war and the sixties, seems to have somewhat relaxed its efforts in this direction since around 1965—at least this is the opinion of many European observers. The heavy commitment of the Americans in South East Asia is, no doubt, one of the reasons for this development. But it is certain that disappointment over the lack of political unity in Europe and the re-emergence of national and even nationalist ideas

<sup>(1)</sup> This view is put forward in the latest book by Mr. George Ball, former Under-Secretary of State at the State Department, who considers that these new world powers could be a united Europe and, to a certain extent, Japan based on a wider economic area in the Far East.

have also contributed to this. Many American politicians have even ceased to consider—whether this be right or wrong—the emergence of a new centre of power in Europe as likely to take place in the foreseeable future. Then again, there is some uncertainty in the United States as to the political position that such a united Europe would finally occupy. Recently, for example, American policy has sought a world-level arrangement with the USSR in preference to encouraging the unification of Europe. Whatever one's views of the value of this treaty as a likely guarantee of world peace<sup>(1)</sup>, one can also regard as a result of this policy the agreement between the USA and the USSR on a nuclear non-proliferation treaty. This development has also given rise to a feeling of mistrust in Europe and to speculations about a change in American policy which, in the eyes of many Europeans, seems to balance between bi-polar confrontation and bi-polar co-operation.

Simultaneously with developments in the West, there has been a trend within the Eastern Bloc towards greater independence and national autonomy. It is only thanks to tremendous pressure and the help of some of its more subservient allies that the Soviet Union has so far been able to contain this movement.

36. The events of recent years should induce the States of Europe to reconsider the course and aims of their policy. The fundamental aim of the policy of European unification is to ensure freedom, peace, security, independence and prosperity to the peoples of Europe. It should also help to overcome the artificial division of Europe. This aim is, of course, closely bound up with preserving peace. In fact, it is doubtful whether the present political status on the continent can lead to lasting peace.

37. If the two parts of Europe are to come closer together, they must be free from the hegemony of the super powers. As regards the policy of our countries, this implies greater independence from the United States. Only such a policy as this could eventually lead the USSR gradually to give way to the aspiration to independence of the States within its sphere of influence and, at the same time, tolerate their growing 'Europeanization'.

38. This policy must be devised over the long term. It is one that could only be achieved gradually and not without a certain parallelism on both sides. It needs to be clearly stated that any weakening of relations with the USA will not lead to any increased independence for the States of Europe but to a loss of security if the withdrawal of the American commitments in Europe is not offset by increased integration and defence efforts here. In the last analysis, the creation of Western Europe as an economic, political and military entity is the prerequisite of this policy of emancipation. Nothing could be more dangerous than

to act now as if this European unity already existed. The essential is to act now and in future so that this unity may become a reality.

39. The prospects outlined here are not anti-American. On the contrary they are in line with very influential political trends in the USA. Thus the constitution of a 'European Europe' will, in the long term, also serve the interests of the United States. Similarly, it is in line with the aspirations for greater freedom of action and self-determination, a natural trend which will gather momentum in Europe in the years ahead. It would be neither reasonable nor useful to choose to ignore this. The emergence of a new centre of power in Europe would relieve the United States of part of their responsibility for world policy and some of the burdens that stem therefrom and, indeed, this is what they have kept pressing for in recent years. By establishing a lasting peace in Europe through a rapprochement between these two parties, this policy would help to eliminate an international flash-point. This should also interest the USA in the highest degree.

40. Nor does unification of Europe find its point of departure in a feeling of hostility to the USSR. It is a work of peace, a contribution to setting up an order of peace throughout Europe. The USSR should recognize that such a policy is also in line with its own vital interests.

41. Another fundamental problem of Europe's foreign policy is relations with the third world and the European governments must be in agreement here. It is always argued that Europe's economic power and its position in world trade, give it a special responsibility towards the developing countries. The Community already has the means and the intention of contributing to the economic development of these countries. By setting up the Association with the African and Malagasy States, it demonstrated that co-operation between industrialized States and developing countries can be effectively and successfully organized on a basis of equal rights. As Europe advances towards unity, it will have to co-ordinate the efforts of the member States to make them more effective. It is in the interests of all that the gap between prosperous and poor countries should be narrowed by co-operation and mutual understanding, for this is the greatest social problem of our time and it must gradually be resolved. By devoting itself to this task, Europe will make a contribution to world peace that is worthy both of its vocation and of its finest traditions.

## CHAPTER I

### INTERNAL ECONOMIC UNION

#### I.—The Internal Market

##### 1. *Free movement of goods*

42. When the European Parliament comes to discuss this report, the customs union will have become a

<sup>(1)</sup> See on this subject the report drawn up by Mr. Scelba on behalf of the Political Affairs Committee (Doc. 40/68) and the debates of the European Parliament on 14 May 1968.

fact, provided no unforeseen difficulty arises between now and then. On 1 July 1967, the member States reduced the internal customs duties to 15 per cent of the basic duty. They agreed to abolish the remaining duties on 1 July 1968. Similarly, the common customs tariff was to come into operation at that time. Of course, establishing the customs union does not mean that economic union has been achieved; yet the abolition of customs barriers will be a milestone in the development of the Community. It is to be hoped that the customs union will give a new impetus to the economy.

The customs union must operate satisfactorily and not be subject to any restriction. Hence, one of the Commission's major responsibilities is to see to it that the abolition of customs duties is coupled with that of charges having an equivalent effect. Unfortunately the Community has still a long way to go here, as the Commission points out in its General Report. The Commission is still not able to say, even approximately, when this objective will be attained. Similarly, the General Report gives no indication concerning the nature or economic effect of charges still being made. This makes it difficult to form a clear idea of the situation. One can only repeat that the existence of charges equivalent in effect to customs duties is incompatible with the principle of a customs union and that these must be eliminated as soon as possible. The same applies to quantitative restrictions.

43. The Common Customs Tariff must be applied correctly and in a uniform manner by all the customs authorities; this mainly involves adopting common provisions on the major problem of customs quotas. The number of national tariff quotas fell still further in 1967; the Council decision to suspend certain duties in the CCT made some of the national quota requests superfluous. Yet the complete elimination of these national quotas presupposes applying provisions relating to the Community tariff quotas.

44. Over the last few years, the European Parliament has repeatedly drawn attention to the slow progress in the work of harmonizing customs legislation. It has always stressed that a uniform application of the CCT necessarily implies harmonizing customs legislation. The Commission has submitted a certain number of major proposals and although these have come late in the day, they are to be welcomed. These proposals concern: bonded warehouses, free areas, processing traffic, customs clearance including arrangements for paying customs duties, rules for Community transit trade and for value for customs purposes. In addition, the Commission has submitted an amended proposal for a regulation defining the origin of goods. Bearing in mind the 1 July 1968 deadline, all the institutions concerned will be obliged to look into these important and technically complex proposals with all speed. The European Parliament has done its best to return its Opinions in good time.

45. To bring the customs union into being, technical obstacles to intra-Community trade have to be

removed. The responsible committee of the European Parliament is at present examining the general programme which the Commission submitted. Lastly, it is a matter of urgency to remove as many trade formalities in dealings between member States as possible. The European Parliament approved the Commission's proposals on this matter last year and stressed not only the economic but also the psychological advantages of easing these formalities. It is to be hoped that the Council will take a decision on these proposals as soon as possible.

## *2. Freedom of establishment and freedom to supply services*

46. Over the past year, work in this field has continued normally. There has, however, been no appreciable acceleration so that it has not been possible to make good the leeway in relation to the general programmes.

In 1967 the Council passed 4 directives on farming and forestry. The Legal Affairs Committee is glad that the Council took into account, with a few exceptions, the amendments to these directives proposed by the European Parliament.

At the end of 1967, the Council had passed 18 directives and had been apprised of 13 draft directives; at the same time, the Commission was working on 33 further proposals. These figures alone illustrate the scale of the work still to be done in this sphere.

Three of the four draft directives submitted to the Commission in 1967 related to the non-wage earning activities of the architect and the fourth concerned non-wage earning occupations in film distribution. The Legal Affairs Committee attaches special importance to these proposals. They represent a first step towards freedom of establishment, the reciprocal recognition of diplomas and the co-ordination of legal and administrative provisions for the liberal professions. It is to be hoped that discussions may yield an agreement on general principles to guide the Commission in making future proposals concerning other liberal professions.

47. The Commission submitted a report to the Council on the implementation of the general programmes; this was a commendable step. The report broadly outlined the principles by which the Commission will be guided in its future work. It is particularly fortunate that the Council endorsed the conclusions of the report, particularly its view that work in finalizing directives still not adopted had to be completed before the end of the transitional period. If the Council is to achieve this objective, it will have to take decisions much more rapidly than it has done in recent years.

48. In future the Community institutions will have to attach increasing importance to the implementation of Community directives in the member States. If the latter do not adjust their laws and regulations

precisely to meet the Community provisions, all the efforts made at Community level will have been in vain. The Legal Affairs Committee repeats the proposals it made last year in the report by Mr. Dehousse<sup>(1)</sup> regarding the implementation of Community law in the member States.

### 3. Competition policy

49. For the first time it has been possible, within the framework of a general report, for the Commission to deal with the whole range of competition policy problems. It is undoubtedly an advantage because it is easier to give an overall view of the difficulties and of the differences between the two Treaties when these are dealt with in the same document.

50. Within the ECSC context, the High Authority and the Commission have passed a series of decisions on the agreements and concentrations referred to in Articles 65 and 66 of the Treaty. Last year, the European Parliament gave its Opinion on the most important of these decisions; this authorized the creation in Germany of four joint sales agencies for rolled products. The question now is whether this authorization measure has come up to expectations and particularly whether the conditions laid down have been respected.

The ECSC has a long experience of competition problems. The High Authority has, for years, studied these thoroughly and has laid down criteria whereby concentrations could be authorized or prohibited. The Economic Affairs Committee<sup>(2)</sup> would like this work to continue so that the experience of the High Authority does not go to waste. When the merger of the Treaties is discussed, it would again be desirable to refer to the experience gained by the High Authority as well as to that of the EEC.

51. In the EEC, the most important competition policy issue was the block-exemption regulation applicable to exclusive dealing agreements. This regulation on its own settled more than 13,000 of the 37,000 cases pending. On the other hand, the number of individual cases still in abeyance hardly fell at all. Only two were settled by decision. It is true that 613 were settled because the contracts expired before the inquiry began and a whole series of others ceased to operate for other reasons, including the elimination of the competitive restriction involved. The Commission is thus a long way from having solved the quantitative problem that has been under discussion for years. It will have to try and settle a greater number of individual cases by decision. This should be all the more feasible because the decisions it has taken so far in a number of typical cases have led to the constitution of an appreciable jurisprudence.

<sup>(1)</sup> Report drawn up on behalf of the Legal Affairs Committee by Mr. Dehousse on the implementation of Community law by the member States (Doc. 38/67).

<sup>(2)</sup> Opinion of Mr. Riedel drawn up for the Economic Affairs Committee (Doc. 19.527 rev.).

52. As it said last year, the Economic Affairs Committee trusts that the Commission will look into the possibilities of new block-exemptions. In its General Report, the European Commission points out that it is preparing a new block-exemption regulation covering scientific research and technical development. Yet there are, no doubt, further possibilities. The Economic Affairs Committee refers again to the proposals it made on block-exemptions for small agreements and regarding certain forms of co-operation.

It is for the Commission to work out a reasonable compromise between the needs of economic competition and the need for co-operation, particularly between small and medium-sized enterprises.

53. In any event, the time taken for the Commission to settle individual cases must be shortened because, at the moment, this is hampering its effectiveness in dealing with competitive restrictions; it creates legal uncertainty and makes it difficult to organize co-operation in legitimate or desirable form. It is also important, if there is to be legal certainty, for the communication on authorized forms of co-operation—'The ABC of Co-operation' which was announced—to be published soon. The Economic Affairs Committee would like to be informed on the progress of the work and on the contents of the draft communication.

54. During the period covered by the report, the Commission took a major step regarding monopolies when it put forward proposals concerning tobacco monopolies. No progress has, however, been made concerning other monopolies which are sometimes just as important as the tobacco ones. As the Economic Affairs Committee points out, however, the reform of monopolies is likely to have far-reaching effects in some branches of the economy and on the fiscal receipts of the member States, and this raises very difficult problems. No Common Market is conceivable, however, unless monopolies are reorganized. The way the governments react to the proposals on tobacco monopolies and the taxes charged on them will thus be a real touchstone for the future progress of European integration.

55. With regard to national assistance, the Economic Affairs Committee refers again to the principles already formulated. Only exceptionally should aid be granted in the form of advances without security and these should be phased out. A situation should be created whereby they can be eliminated. The harmonization of national aid systems urgently needs dealing with if only to avoid an escalation of State assistance from various national bodies. The Commission made a proposal for Community assistance to shipbuilding and the fate this has suffered—it went before the Council as a proposal several years ago—shows how difficult it is to reach agreement on common principles. The Economic Affairs Committee asks if it would not be desirable to draw up a joint outline programme for assistance to the electronic computer industry. There would be no obligation to grant



Community assistance from the outset. It would no doubt be enough to harmonize the conditions under which national assistance could be extended to this branch of the economy.

#### 4. Taxation policy

56. A common taxation policy is of great importance; this is now quite evident and will become even more so when the last internal customs duties have been abolished. If turnover taxes and excise duties are not harmonized, it will be impossible to remove the fiscal barriers which are, after the customs barriers the main obstacle to the free movement of goods. Similarly, harmonizing taxes on dividends and interests is a prerequisite for setting up a common capital market. For a long time the need for international business mergers has been recognized but is at present running up against prohibitive fiscal obstacles. Approximating competitive conditions, which is implicit in the Common Market, cannot be carried through because there is no real harmonization, however limited, of the fiscal systems. Lastly a common policy for certain important sectors, such as energy and transport, implies standardizing certain taxes.

57. It is to be regretted that in its First General Report the European Commission has not pronounced on these major issues. As the Committee for Finance and Budgets points out in its Opinion<sup>(1)</sup>, the General Report does not lay down any policy line nor does it give any overall view of the steps the Commission intends to take in the immediate future. Nor does it give any indication on progress made on other problems and it does not evaluate their political relevance.

This does not mean that the Commission has no fiscal policy line to follow. On 8 February 1967, it submitted to the Council a fiscal harmonization programme and this was supplemented on 27 June 1967 by a memorandum. Yet the General Report does not, as it might have done, mention the policy line defined in this important document and it fails to show what precise measures the Commission intends to take in relation to the present situation.

58. The Commission dwells, on the other hand, on the measures it has taken to ensure a correct implementation of Treaty provisions, particularly turnover taxes and excise duties. With reference to the latter, the Commission continued to look into cases of differential taxation on imported and national products. This investigation was carried out in the light of an inventory drawn up earlier. It was successful in eliminating some of these discriminatory measures. In certain cases the Commission initiated the procedure laid down in Article 169 against the member States which were at fault.

In this work the Commission deserves the full support of the European Parliament. Yet it cannot be sufficiently emphasized that fiscal harmonization remains an essential requirement for the future of the Community.

59. On 9 February 1967, the Council approved the first two directives concerning the harmonization of turnover taxes; this was a major step forward. The Commission also submitted a draft directive on the application of the added value tax in agriculture, although here it was considerably behind schedule. Now it is for the States which have not yet adopted the AVT system to put it into operation within the prescribed period. France and the Federal Republic of Germany already had this system but they will still have to adjust their legislation more precisely to meet the provisions of the Community directives. A study forwarded by the Commission to the Committee for Finance and Budgets shows that, although the systems operating in France and Germany are broadly in line with Community requirements, they are not quite the same. The Committee for Finance and Budgets intends to make a thorough examination of these questions.

60. The Commission programme of 8 February 1967 constitutes an excellent point of departure for continuing the work of fiscal harmonization. This programme includes measures affecting direct and indirect taxes and distinguishes between measures to be taken before 1 July 1968 and after. Regarding the harmonization of indirect taxes, the Commission proposals so far submitted only cover tobacco. Although other proposals were announced for before 1 July 1968 on harmonizing excise duties on wines and spirits, oil products, sugar and sweeteners and beer, these have not yet been submitted. Similarly, there has not yet been a proposal on the annual road tax for motor vehicles. It goes without saying that there will first have to be a harmonization of the fiscal structures and only then of the rates of taxation. This is why the Commission should do everything possible to get to the first stage fairly rapidly. It is also urgent to draw up proposals for harmonizing other excise duties for another reason pointed out quite explicitly by the Committee for Finance and Budgets. The study made by the responsible committees of the European Parliament of proposals covering tobacco taxes shows that implementation of the Commission proposals would lead to a considerable drop in the fiscal receipts of some member States. Harmonizing excise duties on other products would no doubt have similar consequences but would perhaps affect other member States. It would thus be very useful to have an overall view of the Commission's intentions concerning all the main excise duties; it might then appear that the losses incurred would be covered by the increase in fiscal receipts from other taxes.

61. As regards direct taxes, no real progress was made during the period in question. The Commission refers to its harmonization programme of February 1967 and to the memorandum mentioned earlier. The

<sup>(1)</sup> Opinion of Mr. Leemans drawn up for the Committee for Finance and Budgets (Doc. PE 19.668).

attempt to define a standard system for taxing interest on bonds and dividends at source is particularly worthy of attention. The present anomalies are major obstacles to the movement of capital. Then again priority should be given to eliminating the fiscal obstacles which preclude international business mergers. There would be little point in drawing up articles for a 'European-type' company if these fiscal problems are not solved. The Commission programme includes other measures such as a standard method of taxing dividends and standard fiscal provisions for holding companies. According to the General Report, the Council has begun studying the memorandum. Unfortunately, no real progress can be expected before 1 July 1968.

62. This makes it all the more necessary for the Council and the Commission to make every effort to put into application at least the measures planned in the first part of the harmonization programme as soon as possible. Carrying out the second part of the programme i.e. harmonizing tax rates, will no doubt be even more difficult than dealing with the first part. Fiscal harmonization is one of the major policy tasks that will have to be tackled by the Community before it can proceed towards economic union. In no other sphere is it more apparent that the Community is now reaching 'the crucial point in integration'.

##### *5. Approximation of legislation and the creation of Community law*

63. The European Parliament has constantly stressed the importance of approximating laws and of setting up a Community legal order if economic union is to become a reality. Creating conditions, similar to those on a national market, to obtain throughout the Community necessarily involves bringing many national provisions into line with each other. Indeed, legal and administrative regulations now condition economic life to a very large extent; it is essential for them to be approximated because disparities between laws have a direct effect on conditions of production and sale and, hence, on competition.

64. The Commission and the Council continued, during the period under consideration, to look into the problems of approximating laws. The Legal Affairs Committee has expressed its satisfaction on the results obtained<sup>(1)</sup>. It was particularly gratified at the convention concluded on the mutual recognition of companies and legal persons pursuant to Article 220 of the EEC treaty, and the adoption of a first directive to co-ordinate the guarantees required of enterprises in the member States. Despite this relative progress, the Community has in fact only just begun to approximate laws. To date, 8 regulations and 33 directives have been passed. The Council has been apprised of proposals concerning 3 conventions, 14 regulations and 50 directives. In addition, a much larger number of

projects are being prepared by the Commission. Under these conditions, one can only once again trust that work will be accelerated and ask the Council to settle decisions on proposals submitted with greater diligence.

This request is justified not only by the volume but also the importance of the proposals pending. What is of particular concern is that very important texts, some of which have been years in preparation, have still to be passed and some of them require no more than the approval of the Council. One example concerns the proposals on a 'European-type' company, a European Patents Convention and a European Convention on trademarks<sup>(1)</sup>. This shows that the best ideas are of little avail if they are not put into action or if there are delays in doing this.

As for the general programme for approximating laws which the Legal Affairs Committee has repeatedly asked the Commission to finalize, this has still to be submitted. In March 1968, however, the Commission submitted to the Council a general programme for eliminating technical obstacles to intra-Community trade. The Commission is to be commended on this important initiative but this programme could not take the place of a general programme covering all questions relating to the approximation of laws.

65. Despite these few criticisms, it is certain that the work of the Community institutions and the implementation of Community decisions by the member States during this period have led to a further extension of Community law. The outlines of a Community legal order based on treaties and agreements deriving therefrom and on the law laid down by the Community institutions (and, in a more general way, by the harmonized provisions of national laws) are becoming more clearly defined. The autonomous nature of Community law is today more and more widely recognized as is borne out by a decision of the Federal German Constitutional Court of 18 October 1967. Then again, as the Legal Affairs Committee points out in its Opinion, the principle of the paramountcy of Community law over national law is gaining ground all the time.

66. The Court of Justice of the European Communities has a decisive part to play in interpreting and, thus, in developing Community law. In this connexion the importance of the legal procedure laid down in Article 177 of the EEC Treaty is becoming increasingly obvious. It is worth noting that 23 of the 37 cases brought before the Court of Justice in 1967 were introduced pursuant to Article 177, and that a large number of these appeals were made by the supreme courts of the various member States. Recourse to the procedure laid down in Article 177 is thus becoming increasingly necessary. Yet, in some recent cases, the supreme national courts have even themselves pronounced on the interpretation of issues of Commu-

<sup>(1)</sup> Opinion of Mr. Bech drawn up for the Legal Affairs Committee (Doc. PE 19.652 déf.).

<sup>(1)</sup> See the oral question put to the Council by the Legal Affairs Committee; this was debated in the European Parliament at its session in May 1968.

nity law, thus avoiding recourse to the Court of Justice of the European Communities. It is to be hoped that these courts themselves will not be long in overcoming the prejudices they still appear to have. The Legal Affairs Committee is convinced that Article 177, if correctly applied, is one of the touchstones of the Community's legal system. For this reason, it envisages devoting a special report to this subject in the near future.

#### 6. *Interpenetration of markets and the impact of the Common Market on consumers*

67. In 1967, inter-Community trade rose by 4 per cent in comparison with the previous year. In 1966 the rate of growth was 11 per cent, so this was a definite fallback. For the first time since 1959, it was lower than the rate of growth of Community exports to third countries, which was 8.5 per cent. Thus, there was last year a reversal of the trend—which has been continuous since the Common Market was set up—towards a more rapid growth in inter-Community trade than in trade with third countries.

According to the General Report, this trend was due to a cyclical low in Germany and to its economic impact on the other member States. Similarly, the demand for imports in France slowed down considerably, as it did in the Benelux countries. Only the Italian rate of growth of imports remained very high, i.e. 21.5 per cent.

68. This development confirms the argument advanced by the European Parliament in previous years, viz. that with the degree of interpenetration reached by the six countries, cyclical fluctuations in one of them may have immediate and marked economic repercussions throughout the others. Evidence of this may be found in the percentage figures for intra-Community exports of the Six member States:

Germany	36 per cent
France	41 per cent
Italy	38 per cent
Netherlands	55 per cent
BLEU	62.5 per cent

For this proportion of their exports, the Community offers the national economies a degree of security equivalent to that offered by their home markets. It has not yet succeeded, however, in eliminating the disturbances due to differences in cyclical development in the member States. This confirms the need for common economic and cyclical policies, to which reference will be made again later.

69. The Economic Affairs Committee stresses in its Opinion<sup>(1)</sup> that the effects of the Common Market on the consumer deserve attention. For a wide section of the public, the success of the Common Market will be in proportion to the benefits it brings to the consumers because of the greater range of products for sale and because of the fall in prices. There is every reason for the Community institutions to give greater attention to this problem. The Commission reports on an enquiry held into the electrical domestic appliance market and on another enquiry into the retail prices of approximately 200 articles in the Six member States. The Economic Affairs Committee considers that these initiatives by the Commission are inadequate; it feels that the work here could have been conducted more actively, despite the merger.

The enquiry into domestic appliances shows the degree of interpenetration of the Community markets, which is sometimes very high. The penetration of Italian refrigerators and washing machines is particularly impressive. Keener competition has had effects which have, on the whole, been favourable. Production has increased, Community industry has become re-organized and sometimes prices have fallen. It is not clear, however, just how far reductions in prices—for example, for refrigerators—have spread to all the Six, nor to what extent price harmonization has been effective. In any case, for the domestic appliances sector, as a whole, there are still wide differences in prices.

70. This is also true of the price levels generally. There are still wide differences. That between the highest and lowest prices varies between 29 and 72 per cent according to product. Compared with 1966, these differences have increased for certain groups of products and fallen for others. For foodstuffs, the difference between the highest and lowest prices in the Community is 72 per cent; 69 per cent for radios and television; 65 per cent for the larger electrical domestic appliances; and it is still 29 per cent for motor cars and petrol. Only one conclusion can be drawn from this, namely, the Community is still comprised of juxtaposed partial markets which are in more or less watertight compartments. Yet, the figures also show that the consumer has not yet obtained any real benefit from the Common Market. This is something to be taken very seriously if only because the public at large often thinks that the only effect the Common Market has is to increase prices. As the Economic Affairs Committee emphasizes the Community must do everything in its power to erase this impression. Before the Community institutions can take any action, however, they need to know exactly why these price differences exist; and there is a long way to go before this is known. In any case, the prevailing price differences cannot be explained by the residual customs duties or by the differences in taxation systems. The General Report makes no reference to this important matter. It is essential for the Commission to concern itself much

<sup>(1)</sup> Opinion drawn up by Mr. Riedel for the Economic Affairs Committee (Doc. PE 19.527 rev.).

more actively with this in future, for it is of fundamental importance for the Community.

## II—Towards economic union

### 1. General economic and financial policy

71. In 1967, the gross national product of the Community increased by less than 3 per cent. Thus the very rapid growth of recent years has slackened off considerably. This average rate is the sum of quite different developments in the individual member States.

Forecasts for 1968, however, are much more optimistic. To go by the most recent information, a growth rate of around 5 per cent may be expected. Thus, despite the slowing down in 1967, the Community would be justified in hoping that between now and 1970 the average rate of growth will be very satisfactory.

72. The Economic Affairs Committee stresses in its Opinion that the slower growth rate last year did, at any rate, show the need for a properly co-ordinated common economic policy to make the most of the possibilities that opening a large market brings into being. In the report submitted by Mr. Hougardy for the Economic Affairs Committee<sup>(1)</sup>, particular stress was laid on the need for a more effective employment policy in the Six. This should become one of the working tools of the cyclical policy, as indeed, it already is in Sweden and Canada.

Then again, the policy of the Community institutions and the governments should take into account the fact that the Community's economic expansion is liable to be hampered by an increase in interest rates. It is, indeed, in times of faster growth that industry has a real need for the financial means to increase and rationalize production. This calls for great flexibility in credit policy and this should be backed by a growth in savings. The Economic Affairs Committee refers, in Mr. Hougardy's report, to the problem of giving workers wages in the form of savings credits to be set off against their share in the profits of the enterprise.

73. The efforts to introduce a common cyclical policy continued last year. The Council Recommendation of July 1967 was acted on much more than earlier ones, particularly on budget policy. Yet the Economic Affairs Committee still does not think that the cyclical policies are sufficiently co-ordinated. In its opinion, public authorities are still not really in a position to direct the development of the economy by taking the right kind of measures to give balanced growth without risking 'over-heating'. The tools of cyclical policy must be adjusted so that fewer comprehensive and more selective measures can be

taken. The Economic Affairs Committee also suggest that Council Recommendations should give way to a better organization of the institutions and their operating methods concerning the cyclical policy of the Community. This will certainly not be easy to carry through because responsibility for economic policy and cyclical policy has remained vested in the member States; only the governments have the tools of this policy in their hands. Economic integration has, however, reached a stage when the bodies concerned with cyclical policy must reach a closer understanding. No one having a responsibility for economic policy can use the division of responsibilities laid down in the Treaties as a pretext for ignoring this need.

74. In July 1967 the Council also recommended a structural re-organization of the budgets of public authorities. This will involve giving more active support to productive social investment. So far, the member States do not seem to have made any serious attempt to act on the recommendation of the Council. The Commission is requested to apprise the Budgetary Policy Committee of this problem and then to report to Parliament.

75. The advent of a larger market implies a capital market of a uniform type. Capital is an important factor in production and it should be able to circulate freely throughout the Community. Administrative obstacles must be removed, together with any disparities in fiscal legislation which impede capital movements. Unfortunately, very little progress was made here during the period covered by the report. The Commission proposal for a third directive on the free movement of capital has still not been passed by the Council. The Community has an excellent basis for its future work in this field in the Report by Mr. Segré on the creation of a European capital market, which was written more than a year ago. It may also be noted with satisfaction that the Council asks the Commission to submit proposals to promote the free movement of capital. The Economic Affairs Committee asks the Executive to finalize these proposals at an early date and to discuss them with it.

76. During the period under review, work on a medium-term economic policy continued. A second draft was recently submitted to the European Parliament. This policy has still to get under way, as the Economic Affairs Committee points out. It was hardly to be expected that it would have any immediate effect on the policies of the member States. When debating this second draft the European Parliament will have the opportunity to give its views on this matter and to go into detail about the measures that will subsequently be necessary.

77. The general objectives for coal and steel also come within the scope of the medium-term prospects. As for the state of the steel market, the Economic Affairs Committee refers to the report by

<sup>(1)</sup> Report drawn up by Mr. Hougardy for the Economic Affairs Committee on the economic situation in the Community in 1967 and the prospects for 1968 (Doc. 210/67).

Mr. Oele<sup>(1)</sup>. Regarding the coal market situation, it notes that the medium-term prospects for marketing coal remain unfavourable. Under these conditions, every effort should aim at adjusting production to market possibilities and rationalizing it; at the same time, efforts must be made to create enterprises of the optimal size.

78. The problems of the international monetary policy were unfortunately barely touched upon in the General Report. The most important event during the period covered by the report was the decision on the introduction of special drawing rights, which was taken in Rio de Janeiro in September 1967. Here the Community won a partial victory in that major decisions will have to be taken by an 85 per cent majority under the new provisions. This means that if the Six present a united front, no major decision will be possible if it runs counter to their wishes.

This success should not, however, induce us to forget that the ideas prevailing in the Community on the main problems of the international monetary system still differ widely. This came out clearly at the Stockholm Conference. The Community institutions and the governments should spare no effort to work towards a common line. Unless the Six adopt a common approach to international monetary issues the Community will be unable to play a part commensurate with its potential within the international monetary system. In the view of the Economic Affairs Committee, this is the rôle which falls to the Community owing to its high gross national product, its large share in world trade, its monetary reserves and its position in the International Monetary Fund.

## *2. Agricultural policy*

79. In its Opinion<sup>(2)</sup> the Committee on Agriculture begins with criticisms about the contents of the section on agricultural policy in the General Report. In its present form the General Report is no more than a list of decisions taken; there is no reference to any connexion with earlier decisions and no view of the future. Then again, some of the statistics that were made available in earlier reports are now missing. The Committee on Agriculture again hopes that the Commission will, in future, draw up a special annual report on the situation in agriculture and on agricultural policy.

80. The Commission reports in detail on decisions relating to market organizations taken last year. The main results were as follows:

- (a) creation of the common market for cereals, pig meat, eggs, poultry meat and rice;

- (b) adoption of the regulation relating to the common organization of the sugar market as from 1 July 1968;

- (c) setting common prices for the 1968-1969 farming year.

81. The Commission on agriculture mentions the sectors where no regulations were passed last year and where the 1 July 1968 deadline introduces a note of urgency. There is the common policy for milk and beef and veal and the regulation on the other products listed in Annex II to the Treaty, in respect of all of which a proposal has been submitted. The Committee particularly stresses the importance of a common policy for dairy produce and beef and veal. Indeed, the Community's agriculture derives most of its income from raising cattle. The Committee also draws attention to some of the problems that arose when the common market organizations for fruits, vegetables and fats came into operation. It asks whether, in future, a more pronounced influence should not be brought to bear on markets through the setting of prices. Bearing in mind the difficulties of a re-organization of the production, this should come in over a period of several years.

82. Common agricultural prices are set in units of account so that the adjustments needed, when one or more member States have to change their rates of exchange, ought to be planned in advance. At this stage in economic integration and at the stage reached by the agricultural policy, it is difficult to visualize unilateral changes in these rates; but they are not altogether out of the question. The Commission proposal on the adjustment machinery to operate when exchange rates are modified should therefore be adopted at an early date.

83. The free movement of agricultural products might be seriously prejudiced if veterinary and phyto-sanitary provisions are not harmonized in good time. The Commission is urged to continue its work in these sectors, bearing in mind the deadline of 1 July 1968.

84. The General Report gives no statistics on the interpenetration of agricultural markets either as to whether it went any further last year or, in that event, how far. The Committee on Agriculture concludes that internal trade between the Six progressed favourably with respect to most agricultural products; it bases this conclusion on the interesting data gathered together by its draftsman. The Commission is asked to indicate whether it agrees with this conclusion.

85. The imbalance between the production and the marketing of agricultural products in the Community means that the common agricultural policy is faced with some difficult tasks. One way in which an attempt is being made to strike a balance is through the payment of export drawbacks. The Agricultural Committee however warns against taking this policy

<sup>(1)</sup> Doc. 12/68.

<sup>(2)</sup> Opinion drawn up by Mr. Brouwer for the Economic Affairs Committee (Doc. PE 19.764 déf.).

too far. It asks the Commission if it could make a report on the repercussions of this policy.

86. In the General Report, the Commission refers again to the results of the Kennedy Round with regard to agricultural products. The Commission submitted four proposals for world agreements on cereals, beef and veal, dairy produce and sugar. They met with success in that it was finally recognized that the best way of achieving multilateral solutions would be to enter into commitments about the amount of support to be given. The results achieved, however, were modest and only concerned cereals. An agreement was reached on minimum and maximum prices and on food aid of 4½m tons. The Commission itself does not attach too great a value to this result nor the practical effects it may be expected to have on the world cereals market. The Committee on Agriculture asks if the Commission is not being too sceptical and why, if its views are justified, it might not be possible to devise a programme to support the milk sector, without too much difficulty. Be this as it may, it is worth examining whether in future a greater proportion of the Community's agricultural exports might not take the form of food aid.

87. When it comes to striking a balance between the production and marketing of agricultural products, it is important to bear in mind not only the present and immediate future but the long-term prospects as well. According to FAO calculations, an overproduction of cereals and sugar may be expected in 1975 whereas the demand for milk and meat will exceed production. Naturally these studies provide no solution to immediate problems but they are not without importance in deciding where the emphasis of the common policy should lie in the long term. The Committee on Agriculture asks the Commission to bear these prospects in mind when drawing up its policy.

88. We shall return to the general problems of the common trade policy in a later chapter. Suffice it to say that it would be highly desirable rapidly to reach the stage of unanimity on a common trade policy, in the interests of agriculture. This is particularly relevant in relation to the State trading countries. The Community has good reasons for increasing its trade with these countries as much as possible. Yet it must have the necessary machinery to offset price manipulations which give rise to competitive distortions.

89. In its Opinion, the Committee on Agriculture also looks into the EAGGF's expenditure in the foreseeable future. It estimates that the Guarantee section will spend 1,221m a.u. in 1967-1968, 1,603m a.u. in 1968-1969, and 1,655m a.u. in 1969-1970. The expenditure relating to dairy produce for 1968-1969 and 1969-1970 amounts to around half the total. It is estimated that receipts from levies will amount to 589m a.u. per annum, so that large-scale additional financial contributions from the member States will be necessary to cover this expenditure. The Committee on Agriculture recalls, however, that the agricultural

sector accounts for 10 per cent (around 5,000m a.u.) of EEC exports to third countries. The Committee on Agriculture endorses the comments of the Committee for Finance and Budgets on controlling the activities of the EAGGF.

90. As regards price trends in the Community, a reduction in the differences in prices between the member States is to be noted. This finding will not be conclusive, however, until there is sufficient information about production costs in the Six. Until both production costs and prices are known, it will not be possible to draw any conclusion concerning the net incomes of farmers. There is no doubt that farm incomes are lagging a long way behind those in other branches of the economy. To obtain accurate data as soon as possible, the Committee on Agriculture asks the Commission to set up the agricultural information network it planned.

91. The agricultural structure policy should form part of the medium-term economic policy. It will thus be noted with satisfaction that in the plan for a second, medium-term, economic policy programme submitted by the Commission, there is a special chapter on agricultural policy. The Committee on Agriculture notes certain important points on the foreseeable trends in agriculture between now and 1970. The authors expect the following annual rates of growth for agriculture:

Consumption of agricultural products	2.7 per cent
Gross agricultural production	2.8 per cent
Net agricultural production	2.1 per cent
Net productivity of work in agriculture	5.6 per cent.

It is quite remarkable that growth in productivity expected in agriculture should be appreciably higher than that anticipated for industry.

As regards agricultural policy in the years ahead a cautious price policy is advocated together with the establishment of a careful balance between the prices of the various products. As for the policy on agricultural structures, a whole series of measures are planned together with an improvement in the production structures of enterprises, a better organization of marketing, stepping up occupational training, training young people in the rural areas in non-agricultural occupations, creating employment and security in agriculture.

The Committee on Agriculture approves these plans. It stresses, however, that structural measures are not enough on their own. It would be wrong to underestimate the importance of the markets and prices policy for this is what makes it possible to impart a measure of direction to Community farming. The Committee has its own views on the relationships between price policy, structure policy and social

policy in agriculture and these are given in the conclusions in the annexes to the report to which reference may be made.

92. Lastly, it is worth stressing the importance of the common economic policy for agriculture. Fiscal, social, transport, regional and trade policies have a decisive influence on production and marketing conditions in agriculture. A common policy for these sectors should not be lagging behind agricultural policy as at present. For the Community as a whole and especially for agriculture, it is essential that this leeway be made good as soon as possible.

### 3. Transport policy

93. The chapter on transport policy in the Commission's General Report begins as follows:

'The period covered by this Report was marked by a decision of importance for the development of the common transport policy taken at the Council Session of 13 and 14 December 1967.'

In its Opinion, the Transport Committee adds<sup>(1)</sup> that no major decision on transport was taken before 13 December 1967, that is two weeks before the end of the period covered by the report. The Committee is particularly concerned at the delay in carrying through urgent work in the transport sector and criticizes the Council for devoting too few sessions to transport problems.

This makes it all the more urgent for the Council to carry through the transport policy programme, which it passed on 13 and 14 December 1967, as soon as possible. Under this programme the Council has to take a decision by 30 June 1968 at the latest on (a) how competition rules shall affect transport, (b) the system of subsidies, (c) a Community quota and (d) a rate bracket system for goods transport by road between the member States. It also provides for measures to abolish double taxation on commercial vehicles and a standardization of rules for the duty-free entry of motor fuel in the tanks of commercial vehicles.

94. Thus the Council programme brings no comprehensive solution to transport problems. It is rather a minimum. The Council, for example, has not decided to solve the problem of regulating capacity before 30 June. It is therefore worth recalling the Opinions returned by the European Parliament in earlier reports and, in particular, in its report on the EEC's Tenth General Report when it stressed the inseparable links

between the rate system and the regulation of capacities. The Commission has, moreover, submitted proposals on regulating capacity and access to the market. These covered access to the occupation of road haulier (both in national and international transport) and the regulation of capacity in national road haulage and access to the market for goods transport by inland waterway. Parliament's study of these proposals is about to be completed. Consequently there is nothing to prevent the Council from deciding on these two proposals even though they are not included in its programme of December 1967.

95. Similarly, the Council does not seem to be anywhere near to solving the problem of harmonizing competitive conditions, a subject which has been under discussion for several years. At all events, there is no reference to this in the decision of December 1967. Almost no progress was made in this context last year. The proposals for the duty-free entry of 50 litres of motor fuel cannot be regarded as a satisfactory solution, as the Transport Committee points out. It merely proves that even in such a restricted sphere as this, the Six are unable to come to a common viewpoint. An approximation of competitive conditions presupposes standardizing motor vehicle and fuel taxes. The General Report gives no indication as to the Council's views on this decisive issue. The fiscal harmonization programme which the Commission submitted to the Council on 8 February 1967 announced that it would put forward, before 1 July 1968, proposals for harmonizing motor vehicle taxes and that, after 1 July 1968, proposals would be forthcoming for harmonizing taxes on petroleum products. There is no doubt that harmonizing these taxes raises enormous problems in the Six and affects both the budgetary and transport policies. This should not, however, be reason for the Council or the Commission to run away from the difficulties in prospect.

96. Work is in progress concerning common transport policy on infrastructure costs and this is very important. The Commission continued its studies and a good deal of statistics and information has been gathered. Yet the report does not say when these studies will be concluded or when decisions might be taken.

97. The regulation on harmonizing certain provisions applicable to road transport, which the Commission proposed, should be adopted as soon as possible.

98. An important problem which the Commission took up during this period under review was the Federal Government's plan to revise German transport legislation in regard to major points. This concerns the Community, in that some of the measures planned could have important repercussions for international transport. According to rule, the Federal Government's plan was submitted to the Commission which examined it thoroughly and gave partial approval. It had reservations about its consistency with the Treaty and the concept of the common

<sup>(1)</sup> Opinion drawn up by Mr. Bruhnes for the Transport Committee (Doc. PE 19.653 déf.).

transport policy. The Commission also gave its views on a draft French law on the introduction of a special tax for the use of road infrastructures. In the interval, this special tax came into operation in France. The Transport Committee finds this particularly regrettable because the study of infrastructure costs for the various forms of transport in the Community is still in progress.

99. It is worth pointing out that the Commission is also responsible for applying the transport provisions in the Treaty of Paris. Here the Commission continued the work of the High Authority in prohibiting discriminatory transport rates and in ensuring that the coal and steel transport market remains transparent. Prior to the merger, the High Authority authorized a further series of special rates. When the Treaties are unified the problems of the publication and transparency of transport prices will have to be settled in a standard manner for all important products and not only coal and steel.

#### *4. Regional policy*

100. The Commission continued its surveys and enquiries last year. This work is undoubtedly useful but unfortunately we have to record that no real progress on regional policy was made. The Economic Affairs Committee hopes that now that a directorate has been set up for this policy, the European Commission will find it easier to work out an overall design for all the less-developed regions of the Community. It stresses the need to follow closely the economic development of all the Community regions and to make a more detailed analysis of the reasons why some of them are in decline.

101. Unfortunately, there is no doubt that the Community's work on regional policy has so far been unimpressive. There are still Community regions which are manifestly under-developed. In some cases, the decline has been more pronounced, especially following cyclical fluctuations, and unfortunately it is the areas which are economically the weakest which are the most sensitive to cyclical setbacks.

The main responsibility for pursuing an active regional policy lies with the governments but it is also for the Community to help solve the problems arising. It can and must devise its policies on agriculture, transport and social affairs, for example, with an eye on their regional implications. It is also for the Commission to submit proposals to step up the Community's regional policy activities. Despite many proposals, enquiries and surveys made by the Community, no real, practical, regional policy has got off the ground. The Community is, of course, faced with the reluctance of the member States to hand over responsibility for regional policy to Community institutions. It must be realized, however, that regional policy cannot be successful unless these activities are co-ordinated by those bodies which are assuming an increasing responsibility for the general economic

policy and social policy. Institutional problems and disputes relating to the way the relevant powers are divided should not prevent the Community or governments from working out and applying the most effective methods in the regional policy context.

It became apparent last year that poor regions are more sensitive to cyclical fluctuations. If the Community is to achieve a suitable rate of growth in the years ahead, it must summon up all its strength and all its reserves. Yet it is in the poorly developed regions that large reserves are still to be found. Economic common sense demands that these reserves be exploited. This is also consistent with social imperatives because the future of the people in these areas is largely dependent on economic structures. They will assess the effectiveness and the value of the Community by the way it improves their living standards and reduces the leeway in their development. The Preamble and the spirit of the EEC Treaty make it a duty for the Community institutions to do everything in their power to achieve this objective.

#### *5. Industrial policy*

102. The need to pursue an active industrial policy is becoming increasingly obvious. The Economic Affairs Committee trusts that this will aim at creating the best possible conditions for industrial expansion. This policy must, however, be regarded rather as an infrastructure policy in its broadest sense than as an aid policy.

One of its main aims should be to help Community enterprises to assume the optimal size and to find the soundest ways of co-operating economically with other firms. A decision is needed soon on the creation in law of a European-type company. Preparatory work of great interest has been done on this subject. Now the relevant decisions need to be taken without delay. It is worth emphasizing, once again, that there is no point in setting up a European-type company if the fiscal obstacles that now stand in the way of business mergers are not eliminated at the same time. Some of these obstacles are rather formidable.

103. For many years now, the ECSC has pursued a common industrial policy. The Committee for Finance and Budgets noted with satisfaction that the single Commission is continuing with the very apt policy of raising and extending loans initiated by the High Authority to finance investment. This policy is carried out under Article 54 of the ECSC Treaty, which gives it a legal basis and endows the ECSC with resources of its own. These resources are also the basis of the ECSC's work in building workers' dwellings and in industrial redevelopment. Aid for industrial redevelopment is also a facet of industrial policy.



104. The Committee for Finance and Budgets attaches considerable interest to the work of the Community in this field; it notes that in some cases the member States have been reluctant to apply for re-development aid from the Community; this is hard to understand. In such instances, it is not for the Commission to take the initiative but it could study the problems arising and draw the attention both of local authorities and governments to the possibilities open to them. The Committee for Finance and Budgets notes

with satisfaction that the Commission recognizes this as its function here.

## 6. Energy policy

105. In 1967 the Community's energy consumption was 633m coal-equivalent tons, or 4 per cent more than in 1966. There was a further change in the proportion of each individual source of energy in this total figure, as is illustrated by the table below:

Energy consumption in 1966-67 and forecasts for 1968

	Consumption (in million cet) <sup>(1)</sup>			Relative proportions (as a percentage)		
	1966 Actual	1967 Estimated	1968 Forecast	1966 Actual	1967 Estimated	1968 Forecast
Coal	206.6	198.3	195.8	33.9	31.3	29.3
Lignite	31.2	31.1	30.9	5.1	4.9	4.6
Petroleum	294.9	323.5	351.2	48.4	51.1	52.6
Natural gas	27.2	34.4	42.7	4.5	5.4	6.4
Electricity	49.7	46.2	47.2	8.1	7.3	7.1
Total	609.6	633.5	667.8	100	100	100
Proportion of Community energy (in round figures)	309	304	313	51	48	47
Imported energy	301	329	355	49	52	53

<sup>(1)</sup> Coal-equivalent tons.

These figures show that no change occurred in the trend that has been going on for several years now. As the European Parliament foresaw in earlier reports, 1967 was characterized by two changes: the proportion of petroleum in the total energy consumed exceeded 50 per cent and the proportion of energy from Community sources fell to less than 50 per cent of the total consumption. This trend is expected to continue. As the Committee on Energy, Research and Atomic Problems stresses in its Opinion <sup>(1)</sup>, the reason for the fall in the Community's share in total consumption is the further contraction in Community coal production—which was not offset by the rapid expansion of natural gas. As for nuclear energy, this made only a modest contribution in 1967 and was far from being enough to restore the balance.

106. These figures alone show the need for a common energy policy. Unfortunately there is no common measure between the scale of the tasks to be carried out and what has been done so far. As the Committee on Energy, Research and Atomic Problems points out, the Community confined itself to declarations of intent. Admittedly, a few measures of limited scope were taken but there is still no overall design.

107. In the sphere of coal policy, the main event in 1967 was the decision to finance marketing from

Community resources. Under this decision, which was already discussed in Parliament's Report on the Fifteenth General Report of the High Authority of the ECSC <sup>(1)</sup>, the member States may subsidize the marketing of coking coal to an extent not exceeding 1.7 a. u. per ton on average, although in individual cases the support given may go up to 2.2 a. u. per ton. The subsidies paid for supplies of coking coal delivered in the producing country must be paid by the country concerned but in the case of deliveries from one Community country to another, a multilateral system of compensation has been introduced whereby 40 per cent of the aid has to be paid by the producing country and 60 per cent by the six member States, according to a set apportionment key. The ceiling for subsidies has been set at 22m a. u. per year. This agreement may be relatively modest, financially speaking, but the principle involved is of considerable importance because, for the first time, joint financial responsibility has been accepted in one sector of coal marketing. Last year the European Parliament expressed the wish that the decision due to expire at the end of 1968 be prorogued. In its Opinion this year, the Committee on Energy, Research and Atomic Problems trusts that this decision will be prorogued.

The increase in general financial assistance granted by the member States also shows the critical position the coal industry is in. Subsidies given to cover

<sup>(1)</sup> Opinion drawn up by Mr. de Lipkowski for the Committee on Energy, Research and Atomic Problems (Doc. PE 19.607 def.).

<sup>(1)</sup> Report by Miss Lulling on the Fifteenth General Report of the High Authority of the ECSC on the Activities of the Community (Doc. 66/67).

abnormally high social charges increased in 1967 by 11.4 per cent in comparison with 1966 and now exceed 1,000m a. u. Even more impressive has been the increase in direct assistance given by the member States, pursuant to Articles 3 to 5 of Decision No. 3/65 relating to subsidies. This assistance more than doubled from 1966 to 1967, totalling 317m a. u., or 1.88 a. u. per ton of coal mined.

108. Re-organizing production to bring it in line with demand is one of the main problems. The Committee on Energy, Research and Atomic Problems stresses the absolute need for this adjustment to be carried through so that Community enterprises operating under more favourable conditions may continue their activities with greater capacity utilization. Unfortunately, the contraction in coal production is being effected according to purely national criteria. There is no co-ordination at European level, either in adjusting production or in regional policy measures designed to offset economic and social consequences of the coal crisis.

109. With regard to petroleum and natural gas, the General Report refers to a detailed study made by the Council of the memorandum on the Community's policy for petroleum and natural gas, which the Commission submitted in 1966. It was thus not until July 1967 that the Council took cognizance of this and signified its agreement with the Report of the Permanent Representatives Committee as a policy guide for future work in this field. Thus, although the Council would appear to have reached an agreement on some very general guiding principles for future policy, it has still not taken any practical decision. The state of progress in work designed to achieve a single market can be regarded as very revealing. It may be said that the Council is fully convinced of the need to achieve market unity. It would be inconceivable, a few months prior to the completion of the customs union and less than two years before the end of the transition period, if the Council had not even succeeded in reaching agreement on this principle. Yet it is clear that so far the Council has gone no further than making this statement of principle; it has decided on no practical measures, nor has it agreed on a timetable. The European Parliament naturally realizes that if there is no harmonization of the fiscal systems, it will not be possible to achieve market unity for petroleum products; it also recognizes that the tax on mineral oils is a major item in the budgets of the member States. The fact remains that there is no reason for avoiding these difficulties; indeed, there is no chance of doing so within the framework of the Common Market. It is worth reiterating the need for a general plan for harmonizing excise duties, as part of the overall solution, to compensate for the resultant reductions or increases in fiscal receipts for the different member States.

110. The Committee on Energy, Research and Atomic Problems stresses one point of great importance from the point of view of supply security: the need

for a common policy to encourage Community hydrocarbon enterprises. According to the European Commission, companies should be regarded as Community enterprises if they fulfil the conditions of Article 58 of the EEC Treaty and have their own resources of crude oil or natural gas or if they carry out prospecting work on their own account. The Council, on the other hand, feels that the only enterprises to qualify should be those whose interests are fundamentally and permanently consistent with those of the Community and which do not obtain any of the benefits granted by their country of origin to third country enterprises established in the Community. The Committee on Energy, Research and Atomic Problems prefers the definition given by the Council. It would suggest that it is important to ensure that Community firms are able to operate under competitive conditions equivalent to those enjoyed by integrated international concerns, particularly as regards taxation. The Committee intends to draw up a report on the position of European petroleum companies as compared with the major international petroleum groups.

111. With reference to the principles of a common energy policy, the Committee on Energy, Research and Atomic Problems states that the aims of the Protocol for an Agreement of 21 April 1964, viz. cheap supplies, supply security, long-term stability of supplies, phasing-in substitutions, free choice for the consumer and the unity of the market, remain valid. Yet it must be realized that it will not be easy to reconcile these objectives with each other. The Community could well have to choose between short-term cheap supplies and long-term security of supplies. The political bodies concerned must be bold and resolute in taking the relevant decisions.

112. Thanks to the merger of the Executives, it will now be possible to make a comprehensive survey of the problems of the energy policy and to comment on them as a whole. It is, thus, easier to make an overall assessment of this question; this is no doubt one advantage of studying all the problems of energy policy in one report. Yet, as the Committee on Energy, Research and Atomic Problems points out, the First General Report by the Commission does not give sufficient emphasis to the policy point of view.

The three Treaties are, for the time being, still valid. Consequently, the differences between them, which have implications for energy, also subsist. At the same time, none of the Treaties gives an overall view of energy policy. It was stressed in Parliament's Report on the Tenth General Report of the EEC Commission<sup>(1)</sup> that this state of affairs is not the real reason why no progress is being made on energy policy. The Treaties would, in their present form, provide an adequate legal basis for implementing a common energy policy if there was the political will to do so; it is this which has so far been lacking.

<sup>(1)</sup> Report by Mr. Merchiery on the Tenth General Report of the EEC Commission on the activities of the Community (Doc. 137/67).

There is, however, no reason why the Community should wait until a single treaty comes into force before defining its energy policy; the progress on integration in other spheres rules this out. It would appear, to judge by the latest information, that the Commission has been drawing up a report on the energy situation in the Community. This report will be the basis for proposals on energy policy, bringing the study of the various energy sources within the scope of common viewpoints. The report should be interesting but what really matters is that it should be the starting point for a common energy policy.

### III—Research and technology policy

#### 1. *General aspects of a common policy on research and technology*

##### a) *The work of the Medium-term Economic Policy Committee*

*The Council decision of 31 October 1967 and present difficulties*

113. '...The work done by the various Community bodies on the problems raised in Europe by technological progress has led ... to results which should make Community solutions possible, and finalization of which will be vigorously pursued in the months ahead.'

This quotation is from the First General Report and it may seem to be a little exaggerated in its optimism, especially when one bears in mind what has happened since then in the sphere of research and technology policy. The fact remains that in 1967 some major Community decisions were taken in these sectors and on 31 October 1967 the Council devoted a special session to the problem of technological progress.

114. To assist the Council in preparing for this session, the working party on 'the policy for scientific and technical research' of the Medium-term Economic Policy Committee submitted a report entitled 'towards a policy for research and innovation in the Community' which analyzed the conditions affecting the promotion of research and innovation in the Community and the features of an orientation policy.

At the close of the meeting of 31 October 1967 the Council declared that it would act on two levels:

- (a) improving and harmonizing fiscal and legal conditions conducive to research and innovation in the Community (European commercial companies, European patents, harmonizing fiscal systems);
- (b) looking into the possibility of Community co-operation in certain particularly interesting areas of research and development. Seven sectors were chosen for this purpose: data processing, telecommunications, transport, oceanography, environmental nuisances, meteorology and metallurgy.

115. In its Opinion, the Committee on Energy, Research and Atomic Problems welcomed this Council statement.

It trusts that the problems associated with a European-type company, European patents and harmonizing fiscal systems may be solved soon and that the constantly repeated wishes of the European Parliament on these issues may begin to be fulfilled.

As for looking into the possibilities of co-operation in the seven sectors referred to by the Council, it approves the decision taken on 31 December 1967; on the other hand it deeply deplores that the working party referred to (the Maréchal Group) was not able to meet the deadline of 1 March 1968 for submitting its report to the Council on the possibilities of co-operation in the seven sectors in question.

116. The work was delayed because of the attitude of certain member States. The Committee on Energy, Research and Atomic Problems notes that 'Europe's leeway in certain key sectors which condition economic expansion is too obvious for it to be able to afford the luxury of any further delays in implementing the Community research policy.'

This is why, in the procedure of oral questions without debate, it asked the Commission why the Maréchal Group had suspended its work and what the consequences of this had been and it welcomed a statement by this Group that it would itself submit a report to the Council if the work was to be suspended indefinitely.

##### b) *Discussion of co-operation with the United Kingdom and other third countries*

117. The Committee on Energy, Research and Atomic Problems urges that a common research policy be drawn up as a matter of urgency, irrespective of how this issue is affected by the problems of third country accessions.

It was thus with great interest that it learned of 'the Commission's insistence that the precondition of Britain's accession to the Community should in no way be used as a pretext for any further delay in drawing up a common research policy.'

This did not mean that the Community should not endeavour whenever possible to enlarge the scope of its co-operation with third countries and particularly the United Kingdom. Indeed, despite certain shortcomings, British participation in scientific and technological co-operation would be of fundamental value for the development of Europe.

118. This technological co-operation could be established, in the view of the Commission, without any specific community being set up and without it first being necessary for the United Kingdom to join the Common Market. The legal framework for technological co-operation already exists and this simply has to be made use of wherever possible. (Examples are:

British participation in ESRO and ELDO; the association agreement between the United Kingdom and the ECSC, the co-operation agreement between the United Kingdom and Euratom<sup>(1)</sup>; co-operation within the OECD.)

The Committee on Energy, Research and Atomic Problems considers that what has been lacking in the field of co-operation with the United Kingdom has not been a programme; it has, above all, been a question of political will.

119. The Committee on Energy, Research and Atomic Problems gave an example of this political will in October 1967 when it held discussions with British experts with a view to exploring the possibilities of technological co-operation held out by the statements of Mr. Harold Wilson.

The memorandum published at the close of these talks showed that, from the British point of view, it was considered difficult to divorce the issue of a technological community from that of Britain's entry into the Common Market. Despite this difference of approach, the discussion led to the conclusion that co-operation should be extended to seven sectors: computers, aeronautical engineering, the creation of European companies, transport and transport strategy, space research, nuclear policy (high energy physics, nuclear electricity, molecular biology), and the creation of a centre for pure research and training courses which could also serve as a meeting place.

120. It seemed to the Committee on Energy, Research and Atomic Problems, however, that the recent British decision to withdraw from ELDO in 1972 and not to participate in the construction of communication satellites were not moves towards technological co-operation in Europe. Indeed, even if the reasons for this withdrawal are economic and not political, they are fraught with implications because they deprive Europe of any chance of competing effectively with the American and Soviet monopolies in the field of space telecommunications—a field of great importance for scientific research and technological development.

For the same reasons, the Commission deplored the Italian decision to cease participating in the financing of ESRO.

#### *c) Need for a research policy*

121. To ensure that Europe does not imperil the future of scientific research, it needs to set up community enterprises of special importance for building, for example, a European particle accelerator of 300,000m electron volts. The Committee on Energy, Research and Atomic Problems trusts that the German and British Governments will give favourable consideration to this requirement.

Yet the efforts made to promote a Community policy for research will be insufficient if they are not coupled with action in two areas that are ancillary to research, viz. industrial policy and education. A Community industrial policy should aim at organizing the relationship between industry and State so that research can expand and European enterprises can become comparable in scale to the large American and Japanese concerns; at the same time it should ensure that the very large scale of some enterprises does not inhibit the development of medium-sized firms.

As for relations between universities, laboratories and enterprises, these should be designed to promote close contact between each of them. In this context, the Committee on Energy, Research and Atomic Problems finds it regrettable that the ten-year old plan for a European University has still not got off the ground.

## *2. Atomic problems*

### *a) Completion of the second five-year programme*

#### *The Council decision of 8 December 1967*

122. 1967 was an important year for the Community's nuclear policy because it saw the completion of the second five-year programme and the adoption of major modifications concerning the future activity of Euratom, following a Council decision of 8 December 1967. At the end of the second five-year programme, however, i.e. on 31 December 1967, there was no new action programme to come into operation from 1 January 1968.

The Commission on Energy, Research and Atomic Problems considers that the Council was directly responsible for the fact that the Commission was entirely unable to draw up a preliminary research and investment plan in time for 1968 or to make a thorough study of the changes needed in the elaboration of a future programme. Hence the Commission had to propose an interim programme for 1968; this was to last a year and involve a budget of 82m accounting units.

123. On 8 December 1967, the Council adopted an interim programme for one year but set a ceiling on expenditure of 41m accounting units, being the sum needed for Euratom's own work. The work to be done for Euratom by other parties was excluded from this budget, which was finally adopted on 29 February 1968, despite the opposition of the European Parliament.

As for Euratom's future activities, the Council decided that these would, in future, be split between a joint programme involving work to be done in the joint centres and under the Community's association, on the one hand, and additional programmes which would only involve the member States concerned on the other.

The Council will endeavour to enact its final resolution on Euratom's activities before 30 June 1968.

<sup>(1)</sup> Common enterprises in the Euratom centre.

b) *The Euratom crisis and the solutions envisaged to solve it*

124. The Council decision of 8 December 1967 reflected the fact that Euratom was in a state of crisis. The Committee on Energy, Research and Atomic Problems was concerned about the reasons for this crisis.

It felt that Euratom had not completely fulfilled its rôle in the Europe of the Six and that the 645m accounting units spent by Euratom over a ten year period (still only 10 per cent of the total expenditure of the member States in this field) had not led to a coherent nuclear policy for the Six. There is still no truly European string for first generation reactors. The future of the Orgel heavy water reactor variant which Euratom designed is in doubt. As for breeder reactors, the Commission did not succeed in co-ordinating the various national programmes, so that there are today two competitive projects, a French and Belgo-Dutch-German one.

With regard to work carried out in the joint research centres, the Community did not, despite satisfactory results in some sectors, achieve an adequate measure of co-ordination of efforts. This led to the disastrous 'full return' policy. As a result, the Council is now trying to find a new way of ending the deadlock.

125. For its part the Commission is working on a new approach to the programme and intends to put forward proposals reflecting a much greater dynamism and imagination. It considers that these would achieve:

- (i) a joint programme involving associations on which the Six are unanimous;
- (ii) additional programmes (in areas where unanimity is not possible) to re-introduce a form of Community co-operation despite the danger that this might mean to the 'full return' attitude;
- (iii) common enterprises in which the Six would participate financially by reference to an apportionment key different from that operating in joint programmes and possibly with the association of third countries. This would appear particularly desirable for all areas where technological progress demands close collaboration between all the member States.

c) *The supply problem and the problem of a European isotope separation factory*

126. The Commission's supply policy has mainly involved negotiating agreements to ensure that the Community obtains enriched uranium from the United States. This has secured supplies so far; but Euratom is completely dependent here.

This underlines the need for a European isotope separation factory because no one member State appears able to do this on its own for financial reasons.

In this regard the Committee on Energy Research and Atomic Problems welcomed the mandate which the Council gave on 8 December 1967 to a specialized study group from the Nuclear Research Consultative Committee; this mandate asked them to study the Community's long-term supplies of enriched uranium and it urges that a decision be taken as soon as possible.

It would not seem that the Community can, in the long term, accept a situation in which it is entirely dependent on the United States in a sphere as vital as that of enriched uranium supplies.

IV—Social policy and the work of the Communities in the field of information

1. *Social policy and health protection*

a) *Employment, occupational training, re-adaptation of workers and redevelopment*

127. During the period of reference the situation on the Community employment market deteriorated. In most of the member States, the number of persons employed fell as did the number of jobs available; the number of unemployed increased. This was due to a series of factors. As the Committee on Social Affairs and Health Protection states in its Opinion<sup>(1)</sup> the causes were—in addition to the cyclical weakness—the entry into active employment of large numbers of young persons, the closing down or the concentration of enterprises, the automation of production, the lack of mobility on the part of manpower and enterprises, the lack of concerted action between the social partners and the changes in agricultural structures.

One of the essential tasks of employment policy is to facilitate manpower mobility at the regional level. This calls for effective occupational training methods and recourse to occupational retraining measures where necessary. The Committee on Social Affairs and Health Protection refers to the organization of occupational training in France. There, bodies have been set up to co-ordinate occupational training and these bring together representatives of workers, employers and public authorities and they are kept in constant touch with the labour needs of the different regions. The Committee stresses the desirability of setting up a similar organization at the European level to bring occupational training into line with future needs.

128. Last year, too, the Commission studied the problems of manpower in the Community and drew up a report on this subject. The Council examined this report. It also agreed to certain steps to promote co-operation between the labour services in the member States. Lastly the Commission aimed at improving co-operation in occupational guidance. These moves

<sup>(1)</sup> Opinion drawn up by Mr. Brégère for the Committee on Social Affairs and Health Protection (Doc. PE 19.697).

are to be welcomed but they are not enough in themselves. As the Committee on Social Affairs and Health Protection points out, the Community's guiding principle concerning employment should be to prevent unemployment wherever possible instead of stepping in only when workers are already out of work.

Bearing this aim in mind, it cannot be denied that there are close links between occupational training and the possibilities of occupational retraining, on the one hand, and employment policy, on the other. Occupational training geared to present-day conditions and a large-scale system of occupational retraining are needed to guarantee the individual's right to work. In a modern economy, where technical progress brings rapid change, manpower mobility is assuming increasing importance. The Committee on Social Affairs and Health Protection forecasts that by 1980 a labour force of 200,000 may be engaged in the nuclear and ancillary sectors. In 1950, labour represented 80 per cent of the total employed and technicians 20 per cent; in 1965 these proportions were roughly the same.

129. The Commission endeavoured to solve these problems. There is no doubt, however, that it will have to do much more in future. Through a comprehensive common policy on employment and occupational training, it will have to create the necessary financial and legal conditions. The Committee on Social Affairs and Health Protection stresses that so far occupational training has been organized at the level of the individual member States. It would be desirable effectively to co-ordinate training methods, make diplomas equivalent and have them mutually recognized by the member States.

130. As regards the re-adaptation of workers, it was again in the ECSC context that the main initiatives were taken in 1967. The ECSC has legal and financial resources which enable it to take large-scale measures. Last year it opened a credit of nearly 19m accounting units in favour of approximately 55,000 workers; this was the culmination of the activities of the Community last year. The main beneficiaries of re-adaptation assistance were the coal workers, especially those in Germany.

131. Similarly, the number of requests for re-imbursement under the European Social Fund increased considerably in 1967 in comparison with previous years, totalling nearly 23m accounting units. Yet the social Fund is still not fully satisfactory as regards the scale of its operations; this remains modest in relation to the serious problems involved. Similarly, the proposals to reform the Social Fund which the Commission submitted in 1965 should be adopted at an early date. It should be the aim of the Community to enable the Social Fund to play a rôle in all branches of the economy that is similar to the ECSC's in respect of re-adaptation assistance in the coal and steel sectors.

132. The ECSC also took an active part in re-developing industrial enterprises. Like the occupational retraining of workers, an active redevelopment policy is an integral part of employment policy; the jobs lost when firms close or production is cut down have to be replaced. The work of the Commission on redevelopment led to various studies and to a high level of financial aid. Between mid-February and the end of December 1967 credits amounting to 20m accounting units were opened. This work is, at the same time a part of the European regional policy. The Committee on Social Affairs and Health Protection stresses the need for such a policy at Community level to avoid wastage, duplication of employment and above all the dangers of a unilateral viewpoint.

133. In the present situation, the closing and concentration of enterprises deserve special attention. This causes legitimate fears among workers as regards the future of their jobs. Thus, before any decision is taken about closing or redeveloping an enterprise, the system for re-employing workers should first be agreed on and, where necessary, occupational retraining should be scheduled. There should be no closure or concentration of firms before a social plan is drawn up which will guarantee that the legitimate interests of the workers are respected.

#### *b) Free movement of workers*

134. During the period under review, the Commission submitted draft regulations and directives on the free movement of workers. The European Parliament examined these in detail and approved them subject to a few changes. The Commission should be urged to endorse these changes and to support them. The right of workers to reside in another member State after ceasing to be profitably employed is an essential complement to the right of free movement. The Commission is called upon to lay down the conditions whereby this right may be exercised as soon as possible.

It is, indeed, in connexion with the free movement of workers that it is possible to understand how important it is to create a genuine European labour market. From this standpoint, too, the co-operation between labour departments referred to in the previous section should be regarded as a matter of urgency. The prior claims of Community workers over third country workers when it comes to employment represents a particularly important task.

#### *c) Wages and working and living conditions*

135. The Committee on Social Affairs and Health Protection finds it regrettable that the Commission's General Report makes no more than a brief reference to the problem of wages and fails to show the link between wage trends and the implementation of a wages policy. It is regrettable that the General Report makes no reference to the real wages and salary

trends. It only states very briefly that household consumption is now expanding less rapidly and that in real *per capita* terms private consumption even decreased slightly. The Committee on Social Affairs and Health Protection requests that economic and social policy measures be taken to safeguard workers from the repercussions of untoward economic developments.

136. House-building is one sphere in which the ECSC has been achieving excellent results for a number of years. One cannot deny the importance of this, both for the living conditions of workers and the mobility of manpower and, hence, for the employment and regional policies, of having housing available that is adequate both in quality and quantity. So far nearly 107,000 dwellings have been financed and around 95,000 dwellings built as part of the common measures designed to facilitate house building. The Commission is urged vigorously to pursue the policy.

#### d) *Social harmonization*

137. Little progress was made on social harmonization in 1967; less, indeed, than with integration. One reason for this is that as regards social policy, the Treaties contain few legal obligations for the member States. Yet the Treaties—particularly the EEC Treaty—provide an adequate legal basis for social policy measures by the Community bodies. The Governments must simply overcome the diffidence they have for a long time shown on social policy and display greater goodwill towards the Commission's proposals. There are several sectors in which the dynamic progress of the Common Market is enough on its own to make the harmonization of social provisions essential. In this respect it is the duty of the Community bodies not only to try to eliminate economic distortions but also to pursue social policy objectives. The Committee on Social Affairs and Health Protection wishes to lay particular emphasis on this point. It considers that the length of the working week and equal pay for men and women are the two main points on which the Community's social harmonization work should be concentrated.

138. As regards the length of the working week in the six countries, there has been a certain approximation. These first steps towards harmonization are to be welcomed. The Committee on Social Affairs and Health Protection would, however, draw attention to the fact that the average working week takes in the short-time work which has been the result of partial unemployment.

139. Article 119 of the EEC Treaty lays down that there shall be equal pay for men and women but this has still not been fully implemented. The Committee on Social Affairs and Health Protection has gone into this problem thoroughly on several occasions and at the May Session of the European Parliament submitted

a further report on this very important issue<sup>(1)</sup>. In its Opinion, the Committee underlines the importance of occupational training for women. It stresses that the principle of equal rights should not be confined to pay but should also involve eliminating all the many discriminations to which female workers are still subject.

140. With regard to social security for migrant workers, the Community provisions now in force are being looked into. It would be desirable for the Council to complete this work at an early date, bearing in mind the proposals that have been submitted by the European Parliament.

#### e) *Health protection*

141. Technology has made its mark in the world of today so that health protection problems have been assuming increasing importance. Progress in science and techniques, the re-organization of production methods, changes in people's way of life, often bring with them dangers to health. As a general rule, however, technology usually supplies the means for dealing with these dangers; what matters is that these means should be put to effective use. The Committee on Social Affairs and Health Protection stresses that the Community policy must take greater account of health requirements than of economic repercussions. In any event, economic progress, particularly the modernization and rationalization of production, cannot go forward at the expense of human health.

The Committee on Social Affairs and Health Protection recognizes that major progress was made in the ECSC last year; encouraging progress was made in Euratom and less progress was made in the EEC. It would refer to the work of the Mines Safety Commission and notes with satisfaction that this body re-organized its work to make a further improvement in the operating conditions. With regard to the nuclear sector, the Committee recalls the need for a general review of safety standards. In recent years the security checks made in Euratom plants have become increasingly numerous and the quantities of fissile materials subject to control have increased considerably. The Commission has adjusted to this situation and put a system of constant inspection into operation. It has also continued its research into health protection in the nuclear sphere. The Committee on Social Affairs and Health Protection requests that this research be continued.

142. Within the EEC, the Commission's activities in recent years have focussed on legislation governing foodstuffs and veterinary practices. As regards the Community directives on legislation governing pharmaceutical products, the Committee would refer to the reports by Mr. Vredeling<sup>(2)</sup>. It would criticize the

<sup>(1)</sup> Report drawn up by Mr. Berkhouwer for the Committee on Social Affairs and Health Protection on the application of the principle of equal pay for men and women (Doc. 26/68).

<sup>(2)</sup> Doc. 55 and 56/68.

delay in the harmonization of foodstuffs legislation, particularly concerning pesticide residues. It again points out, in the interests of the health of the consumer, that the use of pesticides should be reduced to a strictly essential minimum. As regards veterinary legislation, it has to be repeated that the Council has still not ruled on a whole series of proposals which have been before it for several years now. As past experience has shown, this delay can adversely affect trade. It is also intolerable, from the point of view of health policy, that the Council should continue to neglect its obligations in this sphere.

*f) Social aspects of Community policy in other sectors*

143. Social problems do not only arise in those areas which come strictly within the scope of social policy. On the contrary, the solutions to many economic and political problems automatically impinge on social issues. In every case, solutions must be found which take due account of economic and social questions.

Economic integration results in the elimination of competitive distortions in many fields. The problems arising here are originally economic. Yet, in so far as competitive distortions result from differing social provisions, the main task should not be to arrive simply at an approximation but to find satisfactory social solutions. The Committee on Social Affairs and Health Protection refers in particular to the social problems contingent on implementing the common agricultural policy and the common transport policy. With regard to the first, it adopted a position in its Opinion on the Community programmes for the Guidance Section of the EAGGF. In the field of transport, special mention should be made of the draft regulation to harmonize certain social provisions governing road transport. As already stated in the section dealing with transport policy, it is very much to be hoped that a decision will be taken on this proposal as soon as possible and on the other projects pending in the field of transport policy.

*g) Prospects of a Community social policy*

144. So far the European Communities have failed to work out a coherent and convincing social policy. There have been praiseworthy attempts in various sectors but there has still been no overall design. As the Committee on Social Affairs and Health Protection points out, there is, similarly, no reference to it in the General Report.

A closer look at the efforts being made by the three Communities on social policy will immediately show the essential differences between those branches of the economy that come under the EEC Treaty and the others. In the ECSC context, it is because this Community has its own income that more effective and more practical social measures have been possible than in those sectors coming under the EEC.

The relatively modest social policy achievements of the EEC are partly due to the fact that the Treaty provisions are too general and partly to the unduly reticent attitude of the Governments. This is not always due as is sometimes suggested to a lack of interest in social policy problems; the Governments are simply opposed to transferring any major area of social policy to the responsibility of the Community. Hence, there is a strange situation in which States have delegated and go on delegating a growing measure of their powers in the economic sphere and yet obstinately cling to their own powers in the sphere of social policy.

145. It must be clearly stated that the attitude of the Governments is, in the long run, inconsistent with the essence of the Common Market. This point is justified by the following arguments:

Economic integration has direct social repercussions. It is no longer possible to take economic decisions—in the field of the medium-term economic policy for instance—without at the same time taking the social aspects into account and without attributing the same importance to them.

The Community's task is not only to raise living standards in the six countries but it must try and achieve a certain unity in living conditions. This does not necessarily mean identical social systems but it does mean bringing them more or less into line with each other. It is hard to see how this aim can be achieved without an appropriate policy on the part of the Community bodies.

The people of the Six expect the Community to pursue a social and not only an economic policy. If the Communities continue to devote most of their energies to economic problems and much less to social problems, large sections of the population will come increasingly to feel that European integration has nothing to do with them; this feeling has on occasion been expressed already. By giving a practical direction to its policy, the Community cannot go far wrong if it shows that increasing the general prosperity is its main aim. Thus, it is in its own interest to continue unremittingly to co-operate with the social partners; the Committee on Social Affairs and Health Protection has continued to stress the need for this.

*2. Occupational training and information*

146. As economic integration progresses, there is one problem which is becoming increasingly urgent and that is the mutual recognition of diplomas awarded in the Community countries. There are many cases where this recognition is essential if the free movement of workers and the freedom of establishment are to be completely effective. Yet this will only be possible if diplomas are approximately equivalent. Where such equivalence has not yet been arrived at, the conditions of examination and consequently the training methods should be harmonized. Here one cannot expect dramatic and rapid results; the Community should try and progress patiently over a long period.



The spreading of the European idea is another essential feature of European cultural policy. The Commission outlines the work done last year. On the whole this is already fairly impressive. The Commission produces seven monthly magazines, and has published seventy brochures for general or professional information purposes. It co-operates with European television networks and has recently begun to co-operate with school television. At Expo 67 in Montreal, it had a pavilion which was visited by two million people. It also continued its information work in specific fields for the benefit of various professional circles and it stepped up its efforts to inform the leading figures of public life and received nearly 10,000 people within the framework of fact-finding visits.

147. It is very gratifying that the universities and secondary schools have been taking an increasing interest in the problems of economic integration. This has led to an increase in the Commission's information work.

The Commission has also endeavoured to increase its co-operation with youth organizations and adult education organizations. It is worth recalling here the importance that the European Parliament attaches to keeping young people in the Community informed and to the meetings organized between them. The Commission is asked to continue its efforts towards meeting the European Parliament's request that a European youth office should be set up.

148. In its Opinion the Committee on Social Affairs and Health Protection recalls the plan to create a European university. It wishes to point out that the European Parliament remains attached to this idea despite all the difficulties and opposition. As the Commission emphasizes, the European university should not only be a research centre but also a centre for intellectual life.

## CHAPTER II

### EXTERNAL RELATIONS

#### I—The association of European countries with the Community

##### 1. *The association of the United Kingdom with the ECSC*

149. The Council of Association and the committees set up by the Treaty continued to work normally during the period covered by the report. The Council of Association held a meeting in London on 15 December 1967. In the present situation this association constitutes a particularly valuable institutional link between the United Kingdom and the Communities despite the rather limited scope of the agreement

itself. It would thus be desirable that here at least relations between the United Kingdom and the Communities should be stepped up.

##### 2. *The Association of Greece with the EEC*

150. As can readily be understood the development of the Association between Greece and the EEC continued to suffer from a considerable handicap because of political upheavals in that country. It could not be otherwise; the purpose of the Association with Greece is, in the long term, to enable that country to become a full member of the Community. As the Committee for the Association with Greece points out in its Opinion<sup>(1)</sup>, only those States which have democratic constitutions and which respect fundamental freedoms may become members of the Community. It is therefore normal under present circumstances—and the Committee for the Association with Greece can only endorse this—that the precise obligations laid down in the Association Agreement were observed during the period covered by the report, particularly concerning the tariff cuts planned, but at the same time the negotiations on harmonizing the agricultural policies of the Community and Greece and on the financial aid to be extended to Greece after 31 October 1967 were suspended. Similarly, no loan has been extended to Greece under the former financial protocol since 21 April 1967. Thus, in practice, the European Commission has adopted a line of conduct which deserves to be commended; the Committee for the Association with Greece thinks, however, that the Commission ought, in its General Report, to make a more detailed statement of its political position in regard to the Greek military dictatorship.

151. For the moment the Community can do no more but hope that there will be a change in the situation in Greece and to observe developments with attention. With this in mind it will pay special attention to the draft of the new constitution proposed by the Greek Military Government and to the preparation and conduct of the national referendum. If the draft constitution is adopted, it will also have to ensure that the provisions in it are, in fact, applied.

##### 3. *The Association of Turkey with the EEC*

152. During the past year the Association with Turkey gave satisfaction both because of the results achieved and because of the atmosphere in which it operated. The Committee for the Association with Turkey approves the work done by the Commission but considers that the General Report gives too little space to this subject<sup>(2)</sup>. The General Report is a little too compendious in its account of the work of the Joint Parliamentary Committee and of the important opinions which it returned. From other points of view

<sup>(1)</sup> Opinion drawn up by Mr. Faller for the Committee for the Association with Greece (Doc. PE 19.684).

<sup>(2)</sup> Opinion drawn up by Mr. Hahn for the Committee for the Association with Turkey (Doc. PE 19.482).

as well, the report is too brief on certain important issues regarding the future of the association. Hence the political line of the report is not always clear.

A decision by the Council of Association on 1 December 1967 gave Turkey a number of new tariff preferences pursuant to Article 6 of the provisional protocol annexed to the Ankara Agreement. The European Parliament adopted a position on this subject in a resolution of 22 January 1968. In this, Parliament recalled that Turkey must endeavour to widen the range of its exports; it also trusted that the Council of Association would continue the negotiations with a view to reaching an early solution to problems on which an agreement has not yet been achieved; lastly, the European Parliament trusts that it will be consulted as soon as suggestions are finalized on the plan for a general market system for the citrus fruits of the Mediterranean basin.

154. The Committee for the Association with Turkey again trusts that the Association Council will now consider preparing a new financial protocol. It would be desirable to plan industrial development areas in Turkey with the assistance of the Community.

Last year the Committee for the Association with Turkey endorsed the latter's wish that migrant Turkish workers in the Community should have a priority over workers from third countries. The Commission should, in solving this problem, try to find a formula which also takes into account the Community's obligations to non-associated countries.

155. In October 1967 the Association Council recommended to the Turkish and Community delegations that they should immediately start looking into the transition to the second stage in the Association. The General Report makes no reference to this question. This has, however, considerable implications because the second stage should lead to the gradual establishment of a customs union and to an approximation of the economic policies of the two parties. The Commission is therefore asked to carry out the preparatory work with diligence and, if need be, to make a report on this subject to the European Parliament.

## II—The Association with the African States and Madagascar

156. The characteristic feature of the Association created by the Yaoundé Convention is a relatively solid institutional structure. For the Association to prosper the bodies set up by the convention must operate properly and work together in harmony. Seen in the light of experience, the activity and the operation of the association bodies can, on the whole, be regarded as having been entirely satisfactory.

The Committee on Relations with African States and Madagascar<sup>(1)</sup> is happy to acknowledge the value

of the work done by the Association Council and by the Association Committee over the years. The AAMS Co-ordination Committee policy also did much to facilitate the operation of the institutional bodies and proved particularly valuable in the dialogue between Europeans and Africans. The close co-operation between the Council and the parliamentary bodies of the Association is a particular cause for satisfaction. The Council representatives were present at every meeting of the Joint Committee and of the Parliamentary Conference of the Association; the resultant continuity in the dialogue between the Council and the parliamentary bodies is something without an equivalent within the Community. The parliamentary bodies examined the various problems of the Association in an atmosphere of friendly co-operation and frankness. True to its mission, the Commission not only managed the European Development Fund but endeavoured, wherever possible, to find solutions to the various problems which struck a fair balance between the interests and wishes of both parties.

157. Work of the association bodies was concentrated on two main fields: trade between the Associated States of the Community and technical and financial co-operation. With regard to trade, it will be noted that the relative share of the AAMS in Community imports rose quantitatively by 2.5 per cent in 1964, 2.6 per cent in 1965 and 2.7 per cent in 1966, which represented a slight increase in value; in 1966, on the other hand, this share came back to the 1964 level (4.3 per cent), after having fallen to 4 per cent in 1965. The provisional figures available for the first half of 1967, however, show that Community imports from the AAMS have tended to level off. The increase in 1966 over 1965 was mainly due to the improvement in Community imports of mining products; imports of tropical products fell back. As the Committee on Relations with African States and Madagascar points out, sales of vegetable products from the Associated States were characterized by the almost complete absence of processed products (apart from vegetable oils) and by price instability. The Committee concludes that the level and the nature of trade between the AAMS and the Community is still one of the weak points of the Association. Community aid to production and diversification did not prevent a deterioration in the terms of trade—an inevitable trend in all the developing countries.

One positive aspect of trade between the Community and the AAMS is a greater balance in the way this is divided up between the Six. France's share has fallen, while that of the other member States has increased. The Commission also points out in the General Report that the development of Community imports from the AAMS, as compared with that of its imports from other developing countries, is, on the whole, not unfavourable.

158. The Commission tried to increase their sales of AAMS products. It obtained more information and conducted studies which were circulated among the member and Associated States. It made credits

<sup>(1)</sup> Opinion drawn up by Mr. Spénale for the Committee on Relations with African States and Madagascar (Doc. PE 19.650 def.).

available from the European Development Fund so that the AAMS could take part in trade fairs and exhibitions organized in the Community. While it recognizes the value of such initiatives, the Committee finds these fall short of the mark in promoting AAMS exports. The Committee therefore repeats that the two partners should collaborate in giving priority to the problems of tropical product prices and of stabilizing them. After the disappointing results of the New Delhi Conference, it is more important than ever for the Community to do everything in its power to promote the stabilization of tropical product prices. The Community bodies could here be guided by the proposals contained in the resolution adopted by the Parliamentary Conference of the Association in Strasbourg in December 1967.

159. In the field of technical and financial co-operation between the AAMS and the Community, the results have again been satisfactory. In 1967, the Commission entered into commitments involving around 138m accounting units from the credits of the European Development Fund. The annual average of 135m accounting units so far reached was thus maintained. 4 per cent of the new commitments are ear-marked for agricultural production. More than half of the sums committed concern directly productive projects. The credits ear-marked for industrialization have been increased considerably. In a special report shortly to be submitted the Committee on Relations with the African States and Madagascar will make a detailed analysis of technical and financial co-operation. In its Opinion, it places the main emphasis on training. It points out that the main emphasis in the AAMS and in the Overseas States and Territories should be on training men, and the emphasis here should be even greater than in any other country. 1,894 full-time bursaries were granted in 1967 and this was more than in the previous year. This increase was coupled with a considerable rise in the number of bursars trained in the AAMS, which is in line with a request made by the European Parliament a long time ago. The reasons for which the European Parliament has always thought it preferable that bursars should be trained in the Associated African States rather than in Europe are that the training given there is usually better adapted to the situation and the needs of these countries; again, training in Europe involves the risk that a certain number of bursars will not return in their countries of origin when their studies are completed.

160. A large proportion of bursars went in for agricultural and technical training. The creation of new farming colleges in the Associated States will no doubt maintain this favourable trend. The work of the Community in training is not limited to granting full-time bursaries. The Community has also given its assistance in the organization of part-time courses on the spot for craftsmen or employees and of occupational re-training courses in addition to practical programmes giving training in specific subjects. The Commission is also implementing a programme of bursaries for correspondence courses. The Committee would like to

know if the Commission considers that the results obtained from correspondence courses have been encouraging enough to justify their being continued. It also trusts that part-time training will in future be encouraged on a wider basis.

161. The Association is an original and important co-operation venture operating within the framework of institutions on the basis of a complete equality of rights between industrialized and developing countries. It can now be seen that this venture has, on the whole, been successful. It is true that there are some serious problems that have not been satisfactorily solved. This particularly applies to trade trends and to the terms of trade. On the other hand, positive results include successes in the fields of financial and technical co-operation and in the sound operation of the association bodies. The experience gained, whether positive or negative, should be taken into account when it comes to deciding on the content of the new convention to govern relations between the Community and Associated States on the Yaoundé Convention's expiry.

### III—Trade and other agreements with third countries

162. The association agreement concluded between Nigeria and the Community has not yet come into force because of the lengthy ratification procedure and the difficulties due to the civil war in that country. This agreement expires on 31 May 1969 so that at best it will remain in force for a few months longer. The plan is, of course, to renew it at the same time as the Yaoundé Convention. It was hoped that something might be learned from the implementation of the agreement which would be of use when it came to renewing it. This is hardly likely to be the case. Hence the Committee on Relations with African States and Madagascar doubts whether it is possible to work out a second association agreement with Nigeria along the lines of the Yaoundé Convention. Indeed, it is hard to imagine that such a close form of association will be possible unless Nigeria first completes a preparatory phase.

163. The Committee on Relations with African States and Madagascar notes with satisfaction the creation on 1 December 1967 of an economic union between Kenya, Uganda and Tanzania. Negotiations for an agreement between the Community and these three countries are now in their third phase. This agreement, too, will be in force only until 31 May 1969 so that naturally it will be of limited scope. It can only be hoped that it will enable the three African States to make some headway towards an association. The Committee on Relations with African States and Madagascar feels it would be desirable to harmonize the conditions of this agreement with that between the Community and Nigeria. It recommends that for future agreements between the Community and African States, there should be an outline arrangement incorporating special protocols to be adapted to the situation of each country.

164. In October 1967 the Council gave the Commission a second mandate for negotiations with Tunisia and Morocco, as a result of which fruitful negotiations were possible. The Commission feels that a limited agreement could be concluded soon with respect to certain products such as olive oil, citrus fruits and industrial products. The Committee on Relations with African States and Madagascar advocates a preferential agreement with Tunisia and Morocco. The Committee stresses, however, that the concessions granted by the Community on olive oil and citrus fruits must not have an adverse effect on the marketing of Community products. The planned system of 'agreed prices' for imports of olive oil and citrus fruits seems likely to ensure that these imports do not adversely affect the Community economy. Tunisia and Morocco seemed prepared to accept this situation which would be advantageous to both sides.

165. The problem of relations with Algeria has not yet been raised in the General Report for it was not until January 1968 that Algeria requested that negotiations be opened with a view to an association agreement. Under these conditions it is still too early to comment on the possible contents of such an agreement. The Committee on Relations with African States and Madagascar feels that negotiations would be very much easier for the Community if the Algerian Government were ready to pay damages to Community nationals who have suffered losses of assets in Algeria as a result of an Algerian government order of July 1966.

In any event there must soon be some settlement regarding economic relations between Algeria and the Community. There is still some legal uncertainty because no decision has yet been taken to replace the system of intra-Community trade which was in force before Algeria became independent. The Commission is thus asked to submit proposals for a provisional solution to these problems as soon as possible.

166. Relations with the Maghreb States have, moreover, to be set in the general context of the Community's trade relations with the entire Mediterranean basin. The Committee on External Trade Relations makes this point in its statement on relations between the Community and Spain and Israel. The time has come to work out a general Community policy for the Mediterranean countries. The guiding principles of this policy should relate to the organization of production, the division of work and the development of economic structures. The concessions granted to one country should not be allowed to upset the economic balance in others; this particularly applies to the trade in citrus fruits. A general Community policy towards these countries is now a necessity because Greece and Turkey are already associated and because negotiations are in progress with Spain, Israel, Morocco, Tunisia, Algeria and Yugoslavia. The Community needs to have a common approach here. The Committee on External Trade Relations particularly stresses that negotiations with Israel should be conducted

at the same time as those envisaged with the Maghreb countries in order to avoid any further tension.

167. The initial negotiations between the Community and Spain took place in September and October 1967 on the basis of a limited mandate adopted by the Council. The Committee on External Trade Relations was interested to learn of the proposal for an initial trade agreement lasting six years. The Spanish offers on this agreement have more than a few positive aspects. It trusts that the Council will soon decide to issue a new mandate so that these negotiations with Spain may be concluded.

168. With regard to negotiations with European countries which have not asked for membership of the Communities—such as Spain, Austria, Switzerland and Malta—the disagreement about enlarging the Community is liable to have an adverse effect. The Commission should do everything in its power to deal with such contingencies.

As for relations with Austria in particular, the Committee on External Trade Relations trusts that the legal dispute between Austria and Italy may be settled as soon as possible by an agreement between the two parties, so that a wide-ranging trade agreement may be concluded between Austria and the Community. The Committee feels it important for the European Parliament to make a thorough study of the problem of relations with Austria in the near future.

169. With reference to the State-trading countries, it is worth recalling Parliament's resolution of March 1968 which was drawn up on the basis of a report by Mr. Hahn<sup>(1)</sup>. Trade with the Eastern bloc has increased considerably of late; in volume it rose by 16 per cent in 1966 and the rate for 1967 would appear to be similar. A common policy on trade with these countries could greatly help to improve economic and political relations between East and West Europe. The Council must therefore, at long last, look into the proposals for such a policy which were submitted in March 1964 and, if necessary, must ask the Commission to reconsider these proposals. The commercial practice of the States as regards export credits also needs co-ordinating. As to what form this policy should take, the European Parliament made detailed proposals in the report mentioned and this could serve as a basis for subsequent discussions.

#### IV—Results of the GATT negotiations and relations with the United States

170. In its Tenth General Report the EEC Commission outlined the results of the Kennedy Round, analyzing them in detail. The European Parliament has expressed its views on these results on several occasions. It would therefore be superfluous to make any further detailed comment on this subject. Since

<sup>(1)</sup> Report drawn up by Mr. Hahn for the Committee on External Trade Relations on the problems of the Community's trade relations with the State-trading countries of Western Europe (Doc. 205/67).

the Kennedy Round was concluded during the period covered by the report however, it is worth stressing again that the Community gave convincing proof of its effectiveness as an institution, contributing decisively to the material success of the Kennedy Round negotiations.

171. The Committee on External Trade Relations dealt in detail with the measures envisaged by the USA to restore its balance of payments and with the Community's reaction to these plans. It has already urged the Commission to do everything possible to safeguard the results of the Kennedy Round and to prevent a chain reaction of protectionist measures. Hence it welcomes the Council decision of 9 April 1968 unilaterally to accelerate the unification of the tariff cuts provided for in the Kennedy Round. The Community made this subject to certain prerequisites. It asked that the granting of reciprocity should be accepted by the main GATT partners and that the USA should refrain from any protectionist measures on imports, and from export aid measures and that the American Selling Price system should be abolished.

The Community decisions were not entirely consistent with the wishes of the United States but they had a considerable psychological effect and a real material effect. It should not be forgotten that restoring the American balance of payments is essentially a matter for the American economic policy and that granting commercial facilities can only make a modest contribution towards this end. The prerequisites on which the Community concessions are contingent could certainly not be described as exceptionable. It is to be hoped that these prerequisites will be confirmed and that the Community will be able on 1 January 1969 to effect the 'asymmetrical acceleration' offered (linked to a slowing-down on the American side). Certain legitimate fears are already current in economic circles because protectionist measures have already been proposed to the US Congress, others being under discussion. The Community must pursue an open trading policy. But it must also vigorously oppose any protectionist trend on the part of its world partners. The results of the Kennedy Round must not be jeopardized. If the expansion of world trade is to continue, a genuine effort must be made to remove the non-tariff obstacles which hamper the free movement of trade.

#### V—Common trade policy and the harmonization of customs legislation

172. No decision was taken on the common trade policy in 1967. Bearing in mind the deadline of 1 July 1968 and the forthcoming end of the transition period when the common trade policy should, pursuant to Article 113, be complete, the Community is thus a long way behind schedule.

It should be noted, however, that the Community regulation against dumping practices, subsidies or

bonuses on the part of third countries was issued in April 1968. Progress seems to have been made in the analysis of the special system applicable to some imports from the State-trading countries and some third countries—there was a revision of regulation 3/63. There has, on the other hand, been no progress concerning the joint de-restriction list or the procedure for managing Community quotas. On this latter point, all the Council did was to divide the Community quotas into national shares to be managed independently by each of the member States at its own discretion. The Committee on External Trade Relations finds this decision regrettable and asks that by 1969 at the latest the management of these quotas should be on a Community basis.

The Committee also hopes that, in the brief space of time remaining before the end of 1969, the provisions of Article 113 will come into force.

173. In the steel sector, several trade policy decisions were taken to enable the ECSC to continue with its policy. No particular problem seems to have arisen here.

174. The completion of the customs union calls for the prior harmonization of customs legislation. In recent months the Community has been remarkably dynamic after marking time for a number of years. This should cause us to ask whether the Community cannot really reach decisions unless it is forced to do so by imperative deadlines. In any case the Commission submitted a plethora of proposals to the Councils ranging from the origin of goods to dispatching procedures and including value at customs. It would hardly seem possible for all these proposals to be adopted before 1 July. Parliament does everything possible to avoid any delay in this connexion.

#### VI—The Community and developing countries

175. In view of its status in world trade—a point Parliament has repeatedly stressed with all due seriousness—the Community has assumed special responsibility towards the developing countries. Both in extending financial and technical assistance and through a suitable trade policy it must prove its acceptance of this responsibility. The shape this trade policy should take raises even more complicated issues than aid proper. Despite their goodwill, the industrialized countries have not yet been able to give the developing countries adequate opportunities to market their products at fair prices.

Yet it should be remembered that Community imports from the developing countries have progressed very favourably in recent years. Exports from the developing countries to the Community increased by an average of 7.4 per cent per annum from 1958 to 1966; the corresponding rates of growth for North America and the EFTA countries were 3.6 per cent and 3.2 per cent respectively. The Community has thus become the

main buyer from the developing countries. Its trade deficit in relation to these countries exceeds 3,000m accounting units.

176. It is true that in 1967 this favourable trend seems to have hung fire. The adverse cyclical swing in some Community countries was no doubt a factor here. Far more disturbing are the structural factors to which the Committee on Relations with African States and Madagascar has drawn attention.

This situation needs to be viewed with all due seriousness, especially after the disappointing results of the United Nations Conference on Trade and Development in New Delhi. The Conference was a failure in respect of two major points: the conclusion of world agreements on primary products and the granting of general preferences to the developing countries for finished and semi-finished products. To be fair in evaluating the outcome, one has to bear in mind the economic difficulties of the United States and the United Kingdom which made it much more difficult for them to be generous in acceding to the requests of the developing countries. The Committee on External Trade Relations also emphasizes that the hopes of the developing countries, as articulated in the Charter of Algiers, were out of all proportion to what the industrialized States really could do. Yet their exports to the industrialized nations have either marked time or fallen off and this has come on top of a deterioration in their terms of trade; this warrants the most careful attention. A closer examination of the Final Act of the New Delhi Conference shows, however, that there are one or two features which promise well for the future. Both as regards preferences and commodity agreements, the Final Act lays down deadlines and defines operating principles. The Committee on External Trade Relations emphasizes this and points out that the Conference did lay down the basis for future work; here the Community will have to make a practical and effective contribution.

177. Both the Committee on External Trade Relations and the Committee on Relations with African States and Madagascar recall the food aid commitments involving cereals which the Community entered into in the Kennedy Round. For the three years from July 1968 to July 1971, Community deliveries will account for 23 per cent of the total food aid. For this aid to be truly effective, however, the transport problem must be solved and an efficient distribution network set up so that the food aid can reach its destination. The Committee on Relations with African States and Madagascar lays emphasis on these various points adding that this aid should not jeopardize the agriculture of the recipient countries. To put food aid on a wider basis, the Community should take the initiative and propose a world food aid plan to stretch, for example, over five years.

The European countries can make a major contribution in combating under-development which is one of the main problems of our time. It is their moral and political duty not to fall short in regard to the possibilities they have for taking action.

### CHAPTER III

#### PROBLEMS OF THE GEOGRAPHICAL ENLARGEMENT OF THE COMMUNITY

178. Since last year several countries have applied to the Community for membership. These applications came from the United Kingdom and Ireland on 11 May 1967, from Denmark on 12 May and Norway on 24 July. On 26 July, Sweden asked that negotiations be opened with the Communities. The Swedish Government stated that the aim should be to establish closer economic relations with the European Communities on a wider and more lasting basis. Although the form this should take was not made explicit, it did not expressly rule out full participation in so far as Sweden's political neutrality was not called into question.

179. These applications for membership, particularly that of the United Kingdom, faced the Community with decisions of extraordinary and even historic moment. It is well known that the Community has so far proved itself quite unable to formulate a reply which has the agreement of all the partners. The ideas and political lines of the member States diverge profoundly. The Opinion of the Commission, drawn up in accordance with Article 237 of the EEC Treaty, 205 of the Euratom Treaty and 98 of the ECSC Treaty and forwarded to the Council on 19 September 1967, was unanimously acknowledged as an excellent and penetrating analysis; none the less, only five member States were able to endorse the Commission's conclusions and hence negotiations with the applicant States to remove any uncertainty still prevailing were not possible either procedurally or practically. It is true that at the Council meeting of 18 and 19 December 1967 all the members stated that they would not raise any objection in principle to extending the Communities. In making this statement, the Council was working on the principle that the new members would fully accept the Treaties and the decisions taken by the Community. The French Government, however, expressed the view that this enlargement would profoundly change the nature and running of the Communities. Five member States came out in favour of the Commission's view that negotiations should be started at once with the applicant States. In this respect the French Government considered that Britain's economic recovery had to be complete before its application could be reconsidered. This statement by the French Government was based, as the Political Affairs Committee points out<sup>(1)</sup>, on the conviction that in view of Britain's agricultural system, the state of its balance of payments and sterling's rôle as an international reserve currency, it was impossible for Britain to comply with Common Market regulations. This profound disagreement meant that the Council's decision of 19 December to keep the applications on the agenda was a very

<sup>(1)</sup> Opinion drawn up by Mr. Achenbach for the Political Affairs Committee (Doc. PE 19.734).

meagre consolation. Since then there has been no indication of an appreciable rapprochement between these viewpoints.

180. The European Parliament can only deplore these developments in the strongest terms. It has been its constant wish and desire that the Communities should be enlarged; it argues that this should not prejudice the very essence of the Community or jeopardize its chances of developing politically. In its resolution on the Tenth General Report of the EEC Commission, the European Parliament expressed this view clearly. It is quite aware of the difficult economic and political problems contingent on enlarging the Community, especially when one of the applicant States is such a major power as the United Kingdom. It has always been convinced, however, that applicant States have a moral right to ask for negotiations and that these constitute the only way in which problems can be thoroughly examined and possible solutions found.

181. Parliament must remain firmly attached to this basic principle. It is true that it is no more able than either the Commission or the majority of the six governments to change the present state of affairs, either decisively or at an early date. It should be the concern of all now, as the Political Affairs Committee states, to get out of the present deadlock. Here rapid action is needed for it is becoming increasingly apparent that the divergences about the applications have much wider repercussions and also threaten the internal structure of the Community. In the present climate of bitterness and mistrust prevailing in the Communities, some of the urgent and important tasks involved in integration are liable to be held back by a system of reciprocal vetoes from one and then another of the member States.

182. Several interim solutions have been proposed. The Political Affairs Committee recalls the Benelux and Italian Memoranda and the proposals submitted by the Federal Republic. The Community bodies must endeavour to find an agreement on the basis of these memoranda and proposals. The aim is either to conclude trade arrangements or to establish close economic, political and technological co-operation between the Community and the applicant States, particularly the United Kingdom. It would appear that the British Government is now ready to discuss interim solutions, subject to these being indissolubly linked to

ultimate accession. The French Government again refused to accept such a link and is not ready to accept any solution which might imply an automatic accession in the long term.

183. Under these conditions, it would seem that the only possible solution for the time being is to rule out the fundamental issue of the link between interim arrangements and ultimate membership. The Political Affairs Committee stated on this subject that from the political standpoint, agreements should be reached which will, in fact, facilitate subsequent accession. Any solution which brings about an economic and political rapprochement between the Community and the applicant States will facilitate their subsequent accession to the Common Market whether this is explicitly stated or not provided that the Community makes proposals of sufficient economic interest to the United Kingdom and the other applicant States. An offer comprising more formal concessions than real benefits would hardly be wise because it would not really bring the two parties together and it would not help the United Kingdom to overcome its present difficulties. As the Political Affairs Committee stresses, the United Kingdom has taken some important steps to restore its economy; it has the right to be supported in its efforts by the Community. The stakes are high for the Community and for Europe as a whole. This is also why the Committee welcomes the efforts made by the Commission to reconcile divergent interests and asks that it should continue to do so with reference to the guiding principles laid down in its Opinion of 2 April 1968, that is to try unremittingly to work out reasonable solutions. It hopes that all the member States will soon reach an understanding to conclude an acceptable agreement with the United Kingdom and the other applicant States.

184. If any difficulties arising in the course of negotiations on the Council should prove insurmountable, alternatives will have to be looked for. On the British side, a proposal was recently made that a Foreign Ministers' conference be held involving the Six and the applicant States. The German Foreign Minister accepted this proposal adding that the Six should first agree on the contents of a commercial arrangement and a form of technological co-operation with the United Kingdom. The Political Commission recalls Parliament's resolution of 23 January 1968 in which it trusted that the Heads of State or Government of the Community would meet to try to come nearer to an understanding.

Conclusions to the Opinion of the Political Affairs Committee<sup>(1)</sup>

Draftsman: Mr. Achenbach

1. Now that, in terms of organization, the merger of the institutions is all but complete, the Political Affairs Committee trusts that the Commission of the European Communities will introduce a forward-looking European unification policy.

2. The Committee wishes to emphasize its firm determination to use every endeavour to unite Europe so as to make it, side by side with the world powers of the USA, the USSR and China, a strong and independent force for a reasonable policy of peace in the world.

Last year's crisis in the Middle East brought to light a sad reality, to wit that Europe with its present organization and structure is not in a position to make a decisive contribution to establishing or maintaining peace.

3. For Europe to become a credible force in such a peace policy, the existing Community must be increasingly strengthened, but it must also include the States of Europe wishing to become members or associates under the conditions laid down in the Treaties. To overcome as early as possible the difficulties of accession and association, it would appear politically desirable to begin with agreements likely to facilitate accession or association.

4. Bearing in mind the Communities' responsibility towards the emergent African States, the Committee considers that it would be desirable to lose no time in tackling the work of renewing the Yaoundé Convention and of simultaneously considering bringing East African States and Nigeria within its scope.

5. The Political Affairs Committee hopes that every State will come to see that the survival of mankind makes world disarmament, particularly nuclear disarmament, imperative. It supports the conclusion of a treaty on the non-proliferation of nuclear weapons and calls upon the nuclear powers to cease producing nuclear weapons and gradually to eliminate existing stocks within a reasonable period.

6. The Political Affairs Committee further believes, as was stated in the resolution adopted by the European Parliament at its plenary session of 14 May 1968, that the treaty on the non-proliferation of nuclear weapons should not jeopardize Euratom's structure or mission, nor the peaceful development of nuclear energy research and application in Europe.

This is all the more necessary as Europe will be called upon to carry out new, essential tasks, bearing in mind the dangers of its lagging even further behind the USA technologically.

7. The Committee recognizes that further efforts are needed to establish a peaceful order in Europe, for this is a prerequisite for a real and lasting European unification and for solving the German problem which has become a matter of urgency.

8. The Political Affairs Committee approves the activities of the Commission during the period covered by its First General Report.

<sup>(1)</sup> The Political Affairs Committee unanimously adopted this Opinion at its meeting on 16 May 1968. The following were present: Messrs. Burger, Vice-Chairman; Berkhouwer (deputizing for Mr. Achenbach), De Clerq (deputizing for Mr. Battaglia), Moreau de Melen, Pleven, Vals and Wohlfart.



Conclusions to the Opinion of the Economic Affairs Committee<sup>(1)</sup>

Draftsman: Mr. Riedel

*1. The transition from the customs union to the economic union*

1. The Economic Affairs Committee looked at those parts of the First General Report coming within its terms of reference; this confirmed its view that a dynamic economic policy in a Community freed from economic restrictions is indispensable.

This is borne out by the relatively slow rate of growth of the Community's economy in 1967; for the first time it was less than 3 per cent. This is probably only temporary and forecasts for 1968-1970 give grounds for hoping that the annual growth of the gross national product will be 4.3 per cent; even so, the interpenetration of the six economies has increased the danger that imbalances in one of them will spread to the others and the subsequent reactions will become increasingly difficult to control.

2. This is no reason for losing confidence in the Community; it simply indicates the course that Community policy should take in the years ahead; the transition period was concerned mainly with creating the customs union and a common agricultural policy; now it is high time to focus all political efforts on creating a dynamic economic union.

3. There are some areas of this future economic union where preparatory work is being carried out on a large scale, yielding the first conclusions. This is particularly true of competition policy, cyclical policy and medium-term economic policy. In regard to monetary policy, especially in the international context, the results have not been entirely negative but the creation of a European capital market, for example, is but one of the internal questions that has not been settled.

*2. Abolition of customs duties—maintenance of frontier controls*

4. By virtue of decisions to accelerate the implementation of the Common Market, any customs duties still obtaining within the Community will be abolished on 1 July this year. This is an important date even if, as a result of delays in finalizing the implementing provisions, the actual application of these decisions is deferred for a few months.

5. The great hope of seeing customs formalities disappear at the same time as customs duties or at least of seeing them reduced to the stage where the change

becomes noticeable has unfortunately not been fulfilled. This is due not only to the fiscal frontiers, which will not lose any of their importance except with the phased approximation of added value taxation systems; it is obviously due, too, to the faintheartedness of politicians and of the customs authorities. The various Community institutions should remember that the international transport of passengers and goods could bring the reality of the Community home to people.

6. The Economic Affairs Committee urges that postal and rail services and passenger traffic be freed from controls which often involve delays at the frontiers. It asks the Commission to make every necessary effort to get the general programme for eliminating technical obstacles to trade adopted by 1 January 1970. Parliament should be kept informed of the progress and difficulties in this context.

*3. Competition policy: a start to promoting authorized forms of co-operation*

7. The Economic Affairs Committee looked into the way Articles 65 and 66 of the ECSC Treaty have been applied and it came to the conclusion that the decisions on agreements and mergers do not raise any serious policy problems. The Committee gave its views on the most important decision economically speaking i.e. the authorization given last year to German steel firms to set up four sales agencies for rolled products. It will shortly be looking into the effects of these agreements on rationalization.

8. The Committee also hopes that the ECSC's experience of agreements (particularly rationalization agreements) may be used as a basis for discussions in talks preparatory to merging the Treaties.

9. As regards the implementation of Articles 85 and 86 of the EEC Treaty, the Committee welcomes the adoption of Regulation No. 67/67 granting block exemptions for sole agency agreements because this has appreciably reduced the number of individual cases outstanding.

The Committee also criticized the fact that only two cases were settled by decisions. It asks the Commission not to rely solely on block exemptions but to make a more rapid and effective use of other means of dealing with these cases.

10. With regard to work on competition policy, the Economic Affairs Committee would like to make the following suggestions:

(a) that the authorization of sole agency agreements on a temporary basis, in so far as the interpenetration of markets is not really handicapped as a result, be looked into;

<sup>(1)</sup> The Economic Affairs Committee unanimously adopted this Opinion at its meeting on 10 May 1968. The following were present: Messrs. Starke, acting as Chairman; Bech, Vice-Chairman; Riedel, Draftsman for the Opinion; Apel, Baas (deputizing for Mr. Ferretti); Behrendt, Berkhower, Bousquet, Breyne, Colin, Corterier, Deringer, De Winter, Dichgans, Fanton, Illerhaus, Miss Lulling and Mr. Marengi.

- (b) that the granting of block exemptions to small-scale agreements, where the effect on and involvement in the market were very small, be envisaged;
- (c) that the procedure of temporary legislation on co-operation between producers be simplified, on the basis of a statement of the agreements concluded, when there is no official opposition to this in the short-term.

11. The Committee particularly welcomed the work done by the Commission in drawing up a catalogue of authorized forms of co-operation. It did in fact express the hope, last year, that a move would be made in this direction.

The Committee hopes that it will be apprized of this draft list, which will affect the material organization of competition policy.

12. The views put forward by the Commission on aids have led the Committee to articulate certain principles. It considers that aid should not be given where it could, for instance, be replaced by financial relief. The only kind of aid granted should be of the 'phased' sort, so that once the objective is obtained it will cease. In the case of non-viable productions, the aid should only be granted as an interim solution so as to attenuate any social difficulties.

The Community should not aim at creating common funds. Priority should be given to defining common criteria for granting assistance.

#### *4. Negative aspects: repercussions of the Common Market on the consumer: industrial policy; regional policy*

13. The Economic Affairs Committee attaches great importance to the effects of the Common Market on the consumer. Hence it could hardly regard as satisfactory the incomplete data on this subject given in the Commission's General Report; it strongly urges that more studies be made and that prices be more systematically observed.

It would also like an enquiry to be made into prices in cases where there are considerable disparities as between one country and another. The Committee thinks that the results of these enquiries could highlight some of the weaknesses in the way in which the Common Market works.

14. With the removal of customs barriers it is important to ensure that enterprises on the Community market enjoy optimal conditions. The Community's industrial policy must be on a larger scale and be concerned with the conditions of industrial development and not be regarded as an aid policy. A European commercial company, which would mainly interest small-sized enterprises, could be an important factor here.

On the whole, not enough progress was made in this field, and this is primarily because the member States were reluctant to support the Commission's initiatives.

15. There was no real progress on regional policy either in 1967. The Committee hopes that the new general

directorate for regional policy will be able to work out an overall design for developing all the less-favoured regions of the Community. Your Committee considers that for this purpose a study is needed into the main factors in economic growth in all the regions of the Community; a more precise analysis should be made of the reasons for the decline of some regions.

#### *5. The first features of the future economic policy: cyclical policy, medium-term prospects and monetary problems*

16. Although the Council's recommendation of July 1967 on cyclical policy was followed more closely by the member States than earlier ones, your Committee considers that cyclical policies are still not sufficiently co-ordinated. The fall-off in growth rates last year showed that public authorities in the member States cannot take suitable measures to direct economic developments. Signs of 'over-heating' led to strong deflationary measures which, in turn, unduly restricted overall demand.

The Committee thinks that experiences of last year should be an encouragement to finding ways of enabling the member States to take action more rapidly and in a more credible and co-ordinated way in the cyclical field; this should be in addition to the Commission's enquiries and the half-yearly recommendations of the Council. The Committee feels that the need for cyclical policy action by the Community is becoming clearer than ever to all those concerned.

17. The Economic Affairs Committee expects the second economic policy programme to be a major contribution towards creating economic union; in the meantime Parliament has been consulted. This will be the subject of a committee report to Parliament at the July session.

18. With reference to the prospects for marketing coal, the Committee wishes to stress that only by limiting production and rationalizing it in the case of firms of the right size will it be possible to keep coal competitive and at the same time to relieve the burden on the national budgets.

19. With regard to international monetary problems, the Committee's attention is mainly focussed on the reform of the International Monetary Fund following the Rio de Janeiro decisions. The Economic Affairs Committee welcomed the measure of success achieved by the Community in working out a common line through consultations on the Monetary Committee and at the conference of Finance Ministers. This particularly applies to the possibility now open to the member States of vetoing any major IMF decisions—provided they maintain their unity.

Your Committee feels that it is none the less obvious that the Community is still a long way from having a united view of the direction monetary policy should take and this is an essential condition for the exercise of these new rights. Hence the Committee considers it is urgent for the member States to move closer together on the main features of the future international monetary system. Until it does so the Community will not be able to play the part to which its economic power should entitle it.

Conclusions to the Opinion of the Committee for Finance and Budgets<sup>(1)</sup>

Draftsman: Mr. Leemans

1. In giving its Opinion on the Commission's First General Report on the activities of the Communities in 1967, the Committee for Finance and Budgets would like to depart from the usual custom of concentrating on an analysis of past events; the relevant problems are completely fluid. The Community will have to evolve through a considerable cycle before all customs duties are removed. Institutionally, too, developments could lead in practice to a new treaty for the European Communities. Your Committee feels it would be desirable to analyze the past in relation to the future.

2. Completion of the customs union will facilitate the solution of the fiscal problems directly related to it. The General Report does not bring out the range of problems involved. The outline given is too piecemeal. The Committee considers that a common approach is needed to ensure the disappearance of measures having an effect equivalent to quantitative restrictions, especially since the customs union will be completed on 1 July 1968. A set of common principles, foreshadowing a really comprehensive plan for economic policy, which could, if necessary, be put into effect step by step, would be preferable to waiting until the customs union is set up before working out a general approach by reference to individual cases.

3. The need for a common approach is even greater when it comes to taxation. The Commission has submitted two notes to the Council outlining a harmonization programme.

Two directives have been issued to bring in an added value taxation system for the whole of the Community. A third directive will bring agricultural products within the scope of this system. The Committee feels an eye should be kept on the policies the member States pursue when they receive these directives.

Two member States introduced added value taxation systems at the beginning of 1968; they appear to differ. Here, where the issue is of real moment, the Commission's policy must be to see that the member States apply the new added value taxation systems in a manner that is consistent with the Community regulations.

The Commission recently sent to the Committee for Finance and Budgets a study comparing the Community added value taxation system with those of France and Germany.

From this it emerges that the relevant laws in France and Germany are in line with the general principles laid down in the two Community directives; but differences in the regulations governing the way the AVT is applied—

the subject of the directives—have been noted as between the common AVT system and the French and German systems.

Your Committee has decided to make a thorough analysis of this study.

A study of the General Report discloses several problems:

- (a) there must be a common policy for different fields of taxation, such as taxes having an equivalent effect, for this could jeopardize what the Community has achieved, notably the completion of the customs union on 1 July 1968.
- (b) given a common policy, by analogy with that for the added value tax, the Community's concern should be to provide a maximum guarantee that all these principles are applied in the same manner throughout the member States and within the prescribed time-limits.

4. The Committee also advocated draft directives covering excise duties which have a considerable bearing on the economy and on budgets, such as those on tobaccos and wines; this would be part of an overall policy as advocated by the Commission in its communications to the Council on 8 February and 26 June 1967.

Your Committee came to this conclusion after analyzing a regulation concerning taxes on the consumption of manufactured tobaccos—other than the turnover tax; this revealed a whole series of difficulties; these would be easier to deal with if taxation rates and structures were harmonized as the first part of an overall plan. This would include harmonizing the structures of excise duties on products of fundamental importance to the economies of the member States, to wit: manufactured tobacco, wines, spirits, petroleum and similar products, sugar, beer, etc. The harmonization of these excise duties will, in most cases, involve wholesale structural changes and have serious implications for the budgets of the member States which underlines what a desirable move this would be.

Taking 1 July 1968 as the time-limit, the Committee for Finance and Budgets notes that the Community's work on harmonizing indirect taxes is behind schedule. Even allowing for the gradualness of this harmonization, there is some work which should have been done prior to the completion of the customs union. The Commission shares this view, as indeed it stated in its communications to the Council of 8 February and 26 June 1967 concerning a fiscal harmonization programme covering direct and indirect taxes.

The time-limit of 1 July 1968 underlines the need for a comprehensive fiscal harmonization policy. This date is furthermore a major milestone and confronts the Community with the need for an overall economic policy. From this standpoint, taxes have also to be seen as a tool for economic and social measures.

<sup>(1)</sup> The Committee for Finance and Budgets unanimously adopted this Opinion at its meeting of 9 May 1968. The following were present: Messrs. Spénale, Chairman; Borocco, Vice-Chairman; Leemans, Draftsman for the Opinion; Aigner, Artzinger, Battaglia, Corterier, De Bosio, De Winter (deputizing for Mr. Carboni) and Gerlach.

Another factor making for unity will be the abolition of fiscal frontiers. It would be inconceivable for them to be abolished in respect of one product and not for another because physical checks continued to be made at the borders until excise duties were harmonized in respect of every single product. With a view to achieving a genuine Common Market there must therefore be fiscal harmonization, including a harmonization of excise duties within an overall plan.

5. The Commission also drew up complete plans for direct and indirect taxes. There has, however, been a delay in carrying these programmes into effect not only on the part of the Council and the member States but also on the part of the Commission. The job has therefore to be tackled at a much faster pace by all concerned.

6. With regard to the Community's work on co-ordinating budgetary policies, the Committee agrees with the Commission that as integration progresses so consultations at Community level must increase concerning the budgetary policy to be pursued in the various member States. For these consultations to affect national budgets, the work here needs to be expedited.

7. Looking at the fiscal and financial problems of the member States from the Community standpoint, the Committee would like to stress its interest in the specialized studies being made at this advanced stage in the integration process into local authority finances. When the Community reaches the point when it will have to co-ordinate economic policies, budgetary policies and the essential tools of financial policy, the problem of local authority finance will naturally be raised to the Community level and assume a European dimension. Consequently it would like the Community to look more closely into this field.

8. With reference to the work of the European Investment Bank, the Committee stresses that the Bank's policy and, hence, the criteria for judging whether projects are of Community interest and for establishing the necessary priorities, must be geared to the Community policy pursued by the institutions. It feels that the Commission ought to make greater use of its powers to intervene by issuing general directives on the Bank's credit policy (pursuant to Articles 9 and 17 of the Protocol on the Bank's statutes). The same should apply to the various requests for loans submitted to the Bank (pursuant to Article 21 of this Protocol). The Committee would again stress the scope of these Articles because, it feels, the European Investment Bank could act more directly and more profitably, bearing Community developments in mind.

The Bank has, of course, been faced with many difficulties such as the restrictions on the monetary market, the cost of money and certain exchange difficulties. Institutionally, the work done by the Bank largely depends on the member States. Under the conditions laid down in the Protocol, however, the Commission is to some extent associated with the work of the Bank. Its operating machinery should be overhauled or, to be more specific, the selection of individuals, States and institutions entitled to make requests for loans should be reviewed. The time would appear to be right because a revision of the Treaties will have to be considered before a time-limit which is coming closer all the time.

Lastly, the Committee trusts that the Commission will in future describe the work of the Bank and its own initiatives more clearly—as exhaustively, indeed, as the

High Authority used to describe its work in raising and extending loans.

9. The Committee for Finance and Budgets was glad to observe that the Commission is continuing the policy of raising and extending loans formerly developed and pursued by the ECSC High Authority. This policy was fruitful. It enabled the High Authority to grant loans at very favourable rates of interest, mainly because it had its own resources. After going to the capital market, it could grant loans at reduced rates of interest adding a proportion of its own resources to the loans raised.

The Committee notes that the Commission is often unable to take more direct action in this field. This situation results from the present Treaty provisions. It will be desirable to make some changes in these provisions so that the Commission may have the opportunity of acting more directly—under conditions which will, of course, have to be specified. This is also a factor to be considered when the time comes for the Treaties to be revised.

10. The Committee looked into the Community budgets, particularly the European Social Fund, the EAGGF and the European Development Fund and would like to refer again to the problem of democratic control over Community funds. It notes that the General Report makes no comment either on this control or on the problems it raises.

11. Your Committee refers to the resolution passed by Parliament on 18 June 1965, advocating parliamentary control over the Community's own resources. It stressed that even at present when the Community budget is financed from contributions from the member States, this control is necessary because the budget is made up, through the national budgets, from the contributions of taxpayers in the member States. The Committee would also point out that this need arises because of the concern expressed at the way budgetary decisions are taken. Indeed, regulations concerning some Community activities reflect an insufficient regard for the financial factor.

12. The Committee feels bound to refer again to the institutional problem and, hence, to that of increased budgetary powers for the European Parliament.

On 21 March, Parliament returned its Opinion on the introduction of the Community tax on fats (in connexion with the regulation on the guidance price for dairy produce), and again raised the institutional problem relating to the introduction of the Community's own resources when it passed the following text:

'recalls, however, the requirement laid down in its resolution of 18 June 1965 that the Community should not have its own resources unless the budgetary powers of the European Parliament are simultaneously increased so as to provide an adequate parliamentary control over these resources which would not be subject to the control of the national Parliaments; notes that the Commission proposal on the introduction of the tax on fats is not in line with this requirement and therefore asks the Commission to amend its proposal along the lines of the resolution of 18 June 1968.'

The Commission recently took this amendment into consideration but did no more than remind the Council of its own statement of 23 December 1963:

'when it discussed the operation of the EAGGF, the Council stressed the great importance it attached to the

problem of increasing the budgetary powers of the Assembly. It will again look into this matter at its session in February 1964 when it examines the reports it has received on the merger and on giving the Assembly a larger part to play.'

The Committee considers that although this may again have drawn attention to the institutional problem connected with the Community's having its own resources, it hardly satisfies Parliament's requirements (expressed in 1965 and, more recently, in connexion with financing the dairy policy). Indeed, it considers that it would be preferable for the Commission to draw up new proposals on the introduction of the Community's own resources, in accordance with Article 201 of the Treaty. In any event, it should amend its proposal concerning a tax on fats, in compliance with Article 149.

13. The problem of democratic control was also raised with reference to the section in the General Report on the management of the European Development Fund. Here, too, your Committee was struck by the figures involved, for current operations have committed an amount totalling 1,055,000 accounting units.

14. The Committee looked into the budgetary aspects of Euratom's activity, as described in the General Report; this prompts some observations of general interest in regard to the Community's budgetary policy. It noted recent developments in this field, namely the Council resolution of 8 December 1967 concerning the general guiding principles for Euratom's future activity and the Commission's note to the Council on Euratom's future research work of 6 March 1968. Contrary to the wishes of Parliament, as expressed in its resolution of 8 January 1968, it is doubtful, as the time-limit of 30 June draws nearer, whether the Council will keep the promise it made to Parliament at the beginning of the year that it would try to find a solution to the problems of Euratom's future before 30 June 1968.

Your Committee would point out that these delays are in themselves rather costly. Apart from delays in research, marking time involves a real financial loss for it imperils the results and experience already gained.

15. Your Committee would observe that Parliament should be involved in drawing up Community research programmes. It is true that Article 7 of the EAEC Treaty does not require that the Assembly be consulted on these programmes. Yet it does not rule them out. The procedure for passing the Community budget laid down in the Treaty gives Parliament the power to amend budgets (Articles 176 and 177 of the Treaty). When it examined the draft research budget for 1968, Parliament amended this; it thereby set in motion the machinery for modifying the research and teaching programme covered by the draft budget. Bearing in mind its budgetary powers Parliament has two alternatives:

- (a) to become meaningfully involved in drawing up or updating Community research activities or
- (b) to amend the amounts of money appropriated for the research and teaching programme.

Should Parliament feel it desirable to exercise its right of initiative to amend a research and teaching programme stretching over a number of years, the budgetary procedure gives it the necessary opportunity. Indeed, if Parliament were to submit a budgetary amendment exceeding the overall figures of the appropriation, the Council would have to

take a unanimous decision when it pronounced on this amendment and reviewed the research programme when the appropriations involved were exceeded by the budgetary amendment introduced by Parliament.

16. Your Committee has sketched out a policy line for the Community's research which it has based primarily on budgetary considerations. This consists in asking that a general research and teaching programme be drawn up and that an overall financial appropriation be made for it.

By recourse to the budget, the programme should be rendered flexible enough to allow for changes and updating. This would get around the deadlocks occasioned in the past by the rigid way in which the research programme has been tied to the budgetary appropriations; this would enable Parliament to play a much more important part.

17. Lastly your Committee would stress another aspect: the auditing of Community expenditure.

The Treaties of Rome and their implementing regulations make it clear that the management accounts and the financial balance sheets of the EEC and Euratom Commissions and the report of the Control Committee shall be submitted to the Council and to the Assembly by not later than 15 September of the year following the one to which they refer.

The European Parliament has still not received the report of the Control Committee on the accounts for the *financial year 1966*.

The Committee for Finance and Budgets would point out that an audit report which appears eighteen months after the end of the year is of no more than historic interest. This creates a gap which is certain to aggravate the problem of controlling Community expenditure.

18. The Committee also looked into those parts of the General Report on restructuring the services of the Commission and on the service regulations. On the first point, it advocated a better use of the services and a recast which could provide an opportunity for strengthening particular sectors where the need for this had been made clear in recent years. These sectors would include general research, technology, social affairs, regional policy and energy policy.

With regard to the service regulations, the Committee advocates that the necessary improvements to the text be made. The Committee took this view as long ago as 1963-1964 and has since then always maintained that it would be unwise to change this text too often and that if it has to be changed, it should, once and for all, cover all those provisions which could be improved upon<sup>(1)</sup>.

Your Committee would also point out that a revision of the service regulations should allow 'the administration of the Communities staff to be steadily improved and the framework for a European civil service to be created.'<sup>(2)</sup>

Lastly your Commission would point out that the service regulations should consolidate the career principle so that the European civil service is thereby enhanced, for this is of fundamental importance.

<sup>(1)</sup> Doc. 77/63.

<sup>(2)</sup> Page 450 of the General Report.

# Conclusions to the Opinion of the Committee on Agriculture<sup>(1)</sup>

Draftsman: Mr. Brouwer

1. The General Report devotes only 40 of its 500 pages to the common agricultural policy; the Committee on Agriculture considers this is absolutely inadequate because agriculture has been the main focus of the EEC's activities.

It therefore urges the Commission next year to draw up an *annual progress report on agriculture in the Community* (similar to the report on social progress) comprising a report on the EAGGF to provide Parliament with sufficient data to evaluate what is taking place in this sector; this would meet an oft-repeated request.

2. The difficulties encountered in setting up market organizations for oils and fats, dairy produce and fruit and vegetables, lead to the conclusion that it would be desirable in future to try to direct the market more by recourse to price-setting techniques, as part of a longer term policy.

3. One of the most pressing tasks facing the Community is the introduction of a common policy on trade, which is in the interests of agriculture. The policy on trade is closely bound up with the agricultural, economic, industrial, energy and monetary policies. As the world's leading trading partner, the Community must pursue a liberal policy on trade.

The policy on trade with State-trading countries is particularly important here, and this should be developed for political reasons. Appropriate machinery will, of course, have to be introduced to ensure that price manipulation does not lead to competitive anomalies.

4. The real cost of the common agricultural policy is approximately 1,000m accounting units (i.e. the expenditure of the guarantee section of the EAGGF after deducting its receipts); in *absolute terms* this is a real burden for public finance but *relatively*, as compared with 'the Community

income', it is much smaller than might be supposed if one considers the part played by agriculture in the Community economy.

5. It is highly important for Parliament to be supplied with objective data so that it can exercise control over the policy pursued and in this connexion *the network of audit information* for agriculture ought to begin operating as soon as possible. It will not be until then that comparisons will be possible and valid conclusions can be drawn, particularly regarding trends in production costs and incomes in the member States.

6. The Committee on Agriculture would warn the European Commission that it should not underestimate the difficulties of implementing a Community policy on structures. It is not easy to create new jobs for those leaving the agricultural sector. It should similarly not be forgotten that production will continue to expand, however effective the structures policy may be.

The right balance must be struck between the four basic sections of agricultural policy: *markets, prices, structures and social policy*.

7. Lastly, the Committee on Agriculture stresses the need to take into account external production conditions such as taxation, social costs, the general employment situation, costs and transport facilities, and trade policy factors, etc., as well as internal conditions (such as price-setting). If agricultural incomes are to be harmonized and improved in the Communities, these 'external' factors must be borne in mind. In other words a strictly agricultural policy is bound to fail unless progress is considerably accelerated in other sectors which affect production costs. It will not be until they go forward at the same rate as agriculture that there will be any real improvement in this sector.

<sup>(1)</sup> The Committee on Agriculture adopted this Opinion by 10 votes with 2 abstentions at its meeting of 28 May 1968. The following were present: Messrs. Sabatini, Vice-Chairman; Brouwer, Draftsman for the Opinion; Baas, Bading, Briot, Dupont, Klinker, Lefèbvre, Lückner, Miss Lulling, Messrs. Müller and Richartz.

Conclusions to the Opinion of the Committee on Social Affairs and Health Protection<sup>(1)</sup>

Draftsman: Mr. Brégégère

1. To an increasing extent the social sphere is becoming the one in which the future of Europe will be decided. Obviously social developments are linked with economic developments, the one directly affecting the other. The introduction of the common social policy must therefore be coupled with the development of a Community economic policy.

2. With this in mind the Committee on Social Affairs and Health Protection trusts that the merger of the executives will mean that social policy will become an operative factor in all sectors of activity and be not simply incidental to but become a corollary of every policy, whether this be for industry, energy, regional affairs or scientific and technical research.

At the same time the Commission should have increased powers along the lines laid down in the ECSC Treaty.

3. The trade union organizations must play an active part in Community affairs; this is proving increasingly necessary. Changes in industry and their social effects will not yield their full benefits unless the trade union organizations take an active part in the creation of new structures.

Technical changes are contingent on European needs and mergers often take place between enterprises in different member States; this being the case the social partners can only deal with the resulting situation if they have the necessary ability to act at the European level. Thus the Committee welcomes the suggestion by Mr. Katzer, President-in-Office of the Council, that a tripartite conference be convened. It calls upon all those concerned to act on this proposal as soon as possible.

4. Furthermore, social action in Europe must rest on solid legal foundations. Technological developments make the working population ill at ease. The workers will not face up to structural changes unless they have a legal assurance or re-employment or a re-adaptation of their skills to new occupations.

5. A dynamic employment policy must be introduced, even though this implies a process of training, retraining and development. This policy should be primarily contingent on a reasoned awareness of what Europe is becoming.

To guide young people into the jobs which will secure the economic development of Europe, prospective studies must be made in every branch of activity. No such studies have been made so far and juvenile education has been empirical and left more to personal initiative; this has often been based on the wrong psychological and economic

approach and it has not really been consistent with actual individual capacity or with present and future occupational openings.

The European Parliament has repeatedly asked for more studies to be made and for the European Social Fund to have wider terms of reference. The Fund should be harnessed to an active employment policy and be a means for gearing occupational training to employment openings. This is a need that the Council of Ministers cannot continue to ignore.

Similar action should be taken with regard to the re-adaptation of redundant workers. The ECSC principle of re-training miners should be extended to all sectors where there are structural changes.

At the same time, regional policy deserves greater attention and the regional economic development organizations should be extended, while remaining independent and acting in relation to European needs.

6. As regards social harmonization, the length of the working week and equal pay for men and women, the Community should co-operate with the social partners in laying down standards for a thorough-going harmonization; this will be even more indispensable when, in the near future, workers have the right to circulate freely. It emerges from statements by the Commission that it has made comparative studies in this sphere; these could serve as a basis for an agreement between social partners.

7. There should be greater health protection; action programmes should now follow the studies made particularly with regard to (a) protective guards on machines to increase safety at work; (b) work in compressed air; (c) heavy work usually done by women in agriculture; (d) the noise abatement campaign; (e) vaccination and (f) improved medical care and supervision of young workers.

The Committee attaches special importance to the question of compliance with the directive laying down standards for health protection for workers and the population at large against the dangers of ionizing radiations. These standards should be permanently enforced and constantly adjusted to progress in science.

To carry out an effective health policy in regard to protection against ionizing radiations, the study and research programme on protection against radiation, which the Commission undertook, should be pursued and completed.

8. To co-ordinate educational standards, diplomas must be rendered equivalent. Their value will be enhanced because they will to some extent be a guarantee for the free movement of workers.

It could help to solve this equivalence problem if a High Council for Education were set up at the Community level.

<sup>(1)</sup> The Committee on Social Affairs and Health Protection unanimously adopted this Opinion at its meeting of 9 May 1968. The following were present: Messrs. Müller, Chairman; Angioy, Vice-Chairman; Brégégère, Draftsman for the Opinion; Behrendt, Bergmann, Berthoin, Dittrich, La Combe, Laudrin, Pétre, Pianta and van der Ploeg.

9. The free movement of workers which should come into effect on 1 July will only really be operative if

- (a) a European work fund is set up;
- (b) social protection is fully carried out; this mainly depends on when the Council adopts regulations on social security for migrant workers and on the freedom of movement of the labour force;
- (c) dwellings are available in sufficient quantity.

10. Lastly, looking ahead to a politically and economically united Europe, research into the labour market should have an important place in Parliament statements.

Only prospective studies will secure full employment for European workers and ensure a better utilization of their abilities.



## Conclusions to the Opinion of the Committee on External Trade Relations

Draftsman: Mr. Bersani

1. The Committee on External Trade Relations considers that the introduction of the common policy on trade (in accordance with the Treaty of Rome) is one of the most important and urgent tasks facing the Community at this time. It is worth stressing that this is a prerequisite for the full introduction of the common agricultural policy and of the common economic policy, especially as regards industry and energy.

The Committee deplores the backlog in work on a common approach to this sector. It trusts that the brief space of time still left before 31 December 1969 (when the transition period ends) will be put to good advantage to implement the provisions of Article 113 of the Treaty. The greatest vigour is needed at every level and rapid action must be taken, i.e. without waiting until these time-limits are imminent.

2. As the world's main trading partner, the European Community must pursue a liberal policy on trade with third countries. This will only be possible if other countries adopt the same attitude. It is therefore desirable to take a firm stand against the protectionist trends evident in some countries and to avoid unilateral protectionist measures at any price for these could lead to a chain reaction and jeopardize the results of the Kennedy Round. The EEC Council decision of 9 April 1968 is therefore to be welcomed. This envisages introducing customs reductions (agreed under the Geneva protocol, which brought the Kennedy Round negotiations to a successful conclusion) ahead of schedule, on 1 January 1969. The Council took this decision despite its adverse balance of trade with the United States, so that the European Community will make a positive contribution to the international balance of payments.

It is to be hoped that the GATT procedure will be strictly adhered to when international trade problems are being discussed and that non-tariff barriers will be looked into as soon as possible, with a view to an increasing liberalization of world trade and the vigorous pursuit of its expansion.

3. As regards the position of the Community in Europe and the Mediterranean Basin, the Committee does not feel bound to state its viewpoint on the enlargement issue or about relations with countries which have applied for accession. It does, however, feel that the delay in solving the problem must not have an adverse effect on relations with Spain, Austria, Switzerland and Malta which have not applied for membership of the Community, preferring arrangements of another kind.

With regard to Austria, the Committee trusts that the present disagreement between this country and Italy may be amicably settled as soon as possible so that a wide-ranging economic agreement may be concluded between Austria and the Community. The Committee feels that the problem of relations with Austria should be considered within the framework of the European Parliament.

A study of relations with Spain and Israel has enabled the Committee to go more thoroughly into the question of the Community's relations with all the countries in the Mediterranean Basin. It feels that the Community policy should follow certain general principles within a homogeneous and organic design taking the requirements of the Mediterranean countries into account. In other words, a common approach to all these countries is needed to eliminate any kind of difference and treatment and solve the problem of 'special cases' which is unfortunately characteristic of the present situation. The negotiations with Israel, for example, should be conducted at the same time as those with the Maghreb countries, to avoid any further tension.

The Committee trusts that the Council will soon be able to make a further statement on relations with Spain and issue a new mandate to pursue and conclude negotiations with that country.

4. The Committee on External Trade Relations attaches special importance to the common policy for trade with the State-trading countries. It would recall that the European Parliament spoke in favour of increasing trade with these countries, feeling that this would help in easing international tension and improve both economic and political relations between East and West Europe. New provisions to improve trade regulations are therefore necessary. The increase in trade must obviate any risk that price manipulation may lead to competitive anomalies.

5. Development aid is this year a burning issue for the Community because of two events, to wit: the United Nations Conference on Trade and Development and negotiations on renewing the Association with the African States and Madagascar. It is hardly very encouraging to note that the trading deficit of the poor countries continued to grow in 1967 whereas EEC imports from third countries did not increase (they did so between 1958 and 1966); during those years—thanks to the beneficial effect of the progressive integration of the six national economies—the EEC considerably increased its trade with the rest of the world, particularly with the developing countries.

The New Delhi Conference, which the member States and the EEC<sup>(1)</sup> qua EEC took part in, fell far short of yielding the results hoped for; but a few positive factors did emerge for future action. The Final Act of the New Delhi Conference lays down time-limits and stipulates precise directives on trade policy; it provides for the implementation of a system of general preferences (which will not be reciprocal) for the semi-finished and finished

<sup>(1)</sup> The Committee on External Trade Relations points out that the European Community's participation in the work of the various United Nations agencies poses certain legal problems. It considers that these problems should be searchingly studied by the European Parliament.

products of the developing countries. An agreement was also reached on an action programme for raw materials, to facilitate the study and application of practical measures in the interest of these products which are of capital importance for the economy of the third world. The Community thus has new and important commitments for the future; the New Delhi Conference served mainly to lay the basis for future work and it is to be hoped that the EEC will make an effective contribution to this, seeing

to it that no disadvantage results for the developing countries associated with the Community.

Thanks to its economic structure, its experience and the capacity of its people, the Europe of the Six has exceptional opportunities in the struggle against poverty which affects such a large section of mankind. A policy of development aid must be one of the main aims of its action in the sphere of external relations.

Conclusions to the Opinion of the Legal Affairs Committee<sup>(1)</sup>

Draftsman: Mr. Bech

*Development of Community law*

1. The Legal Affairs Committee notes with satisfaction that Community law is gaining an increasing hold in the member States; this is clear from the large number of cases — twenty-three, the highest yet — that have been referred in 1967 to the Court of Justice of the European Communities under Article 177 of the EEC Treaty. The Committee is also glad to note that the courts of final instance in the Six have made increasing use of the procedure laid down in Article 177. It has, however, to emphasize that not all of them have yet referred to the Court for preliminary rulings on points of law; this is disturbing for they are under an obligation to do so. The scope and precise nature of this obligation have not yet been clearly defined in all the courts of final instance in the Community. On the whole, however, it cannot be denied that progress has been made.

The Committee agrees with the Commission that it is desirable for these courts, on their own initiative, to refer questions of Community law to the Court, even where they are not bound by the Treaty to do so. This enables the Court to give an official ruling on questions of Community law at an early stage in the procedure.

The Committee feels that all problems of interpreting and applying Article 177 should be specially looked into and a report made to Parliament.

2. The relationship between Community law and national law was discussed again last year. The Committee can only refer to the very clear jurisprudence of the Court and to its own Opinions. It would again repeat that Community law cannot, of its very nature, be overridden by national provisions if these run contrary to it. It trusts that it will not be long before this principle is generally accepted. There are grounds for hoping it will be because Community law, as an independent legal order, has come a long way in winning recognition in the course of the last year.

3. As regards the legal protection of private individuals in the European Communities, the Committee refers to the report by Mr. Deringer which showed that the legal protection given under the Treaties is still incomplete and needs unifying. The Committee is therefore glad that in its ruling last year the Court of Justice did not interpret the term 'decision' (Article 173,2) restrictively. This ruling means that private individuals can lodge appeals to the Court in certain cases where there has, up to the present, been some doubt on this point. The Committee would ask the Commission to keep a close watch on developments in this field and to forward any information it may gather.

4. Under an important ruling of 29 February, the Court pronounced on the relationship between the Treaty competition rules and the sole-agency right vested in a patent holder in his use of that patent. It declared there was no inconsistency between this right and the Treaty rules. The Committee welcomes this decision; it puts an end to a long period of uncertainty on a point of some importance for the Community's economy.

5. The Committee expresses satisfaction at the work done by the Commission in the fields of information and disseminating knowledge. It would encourage it actively to pursue its efforts in this sector.

*Freedom of establishment and to supply services*

6. The Committee perused the outline given in the General Report on how work is progressing regarding freedom of establishment and to supply services. It was glad that four directives were adopted, representing further headway and that Parliament's amendments to these directives were to a large extent embodied in the final texts.

7. The Committee is glad that the Commission has, once again, put draft directives before the Council. Three of these concern freedom of establishment for architects. The Committee attaches special importance to these because these are the first concerning freedom of establishment, the mutual recognition of diplomas and the co-ordination of legal and administrative provisions for the liberal professions.

8. The Committee notes with great regret the failure to adhere to the time schedules laid down in the general programmes and calls on the Council and the Commission to make a greater effort to do so in future.

9. The Legal Affairs Committee further emphasizes that the increasing number of directives issued makes it correspondingly urgent to check on how they are applied in the member States. With regard to this point and to the general issue of how Community law is applied in the member States, it would refer to the proposals and suggestions it made last year in the report drawn up by Mr. Dehousse.

*The approximation of laws*

10. The Committee repeats that approximating laws is axiomatic to integration. It welcomes the progress made last year. It notes with interest the table given in the General Report showing how far laws have been approximated since the Treaty came into force. It would, however, like such tables to give details of sources and an outline of the measures taken by the member States to give effect to Community regulations and directives.

<sup>(1)</sup> The Legal Affairs Committee unanimously adopted this Opinion at its meeting of 18 April 1968. The following were present: Messrs. Deringer, Chairman; Dehousse, Vice-Chairman; Bech, Draftsman for the Opinion; Armengaud, Boertien, Burger, Carcassonne, Dittrich, Estève, Jozeau-Marigné, Lautenschlager and Marengi.

The Committee intends in the near future to submit a report to Parliament on the approximation of laws.

11. The Legal Affairs Committee notes:

- (a) the approximation of laws on pharmaceutical products is not going ahead as speedily as expected. The Council has not yet passed the second and third directives. The Committee would like an early decision not only on these directives but on the draft directives concerning publicity for pharmaceutical specialities.
- (b) the draft convention on international responsibility and on the execution of civil and commercial decisions, which was drawn up last year, is an important step in the approximation process. The same applies to the preliminary draft convention on international bankruptcy law.

The Committee is glad that the convention on the mutual recognition of companies and legal persons was signed on 29 February 1968. The Committee is also glad that the Council adopted in March 1968 and after lengthy discussions the first draft directive co-ordinating safeguards in respect of company law (Article 58, 2 of the Treaty). The Committee is, on the other hand, concerned that the work on giving a legal form to a European type of company is progressing very slowly.

12. The Committee would point out that the approximation of laws has not been carried forward with the necessary drive in some very important fields. It is particularly disturbed at the way plans for a European type-company are lagging behind; the same is true of the

European Convention on patents and trade marks. It voiced this concern in an oral question with debate which will be discussed at the May session of the European Parliament.

#### *Institutional questions*

13. Over the past year, the Committee has again looked into the legal aspects of several institutional problems. It has taken care to see that Parliament was heard with regard to Commission proposals in the form and manner laid down in the Treaty. It has been guided in this by the principles outlined in the report drawn up for the Political Affairs Committee by Mr. Illerhaus and for the Legal Affairs Committee by Mr. Jozeau-Marigné. It is convinced that if these principles are adhered to, this will strengthen Parliament's position and increase its influence in Community legislation. It must stress how important it is for all Committees to see to it that these principles are respected within their respective spheres.

14. The Legal Affairs Committee is currently concerned with other institutional problems. These are of considerable importance. It will make a detailed study by reference to Mr. Jozeau-Marigné's report on the procedure developed for applying 'derived' Community law as seen from the legal and institutional standpoints. By reference to the report by Mr. Burger, it will look into the legal aspects of enactments which do not come within the categories specified in Article 189 of the EEC Treaty.

Conclusions to the Opinion of the Committee on Energy, Research and Atomic Problems<sup>(1)</sup>

Draftsman: Mr. de Lipkowski

1. The Committee on Energy, Research and Atomic Problems analyzed those parts of the First General Report on the activities of the Communities coming within its terms of reference; for the first time all the details of the work done by the Community institutions are summarized in a single document; this is to be welcomed.

The Committee notes that with the Treaty on the merger of the executives, the Commission can now obtain an overall view and this will make it easier to select policy options for energy and research.

It notes with satisfaction that the staff re-organization occasioned by the merger allowed for the creation of general directorates for energy, on the one hand, and general research and technology on the other.

It does, however, find regrettable that the political viewpoint does not emerge very clearly from the General Report; the various policy options are not brought out explicitly.

It also finds it exceptionable for the Commission to have failed to take the maximum advantage of the single document form in presenting its information and that too many questions have been dealt with without reference to the overall position of each of the three Communities concerned.

It trusts that in future the problems within its terms of reference will be discussed synthetically so that there is no artificial separation between fields which are obviously connected, such as the policy for research and the industrial policy.

2. The Committee notes that Europe's energy market has tended to become increasingly dependent on imported energy and less energy has been produced by the Community.

It feels perturbed by the fact that after ten years of Community activity nothing has been done to change this.

In view of this shortcoming and the attendant economic and social problems the Committee finds it regrettable that there is still no real Community policy for energy and stresses the need to move on to practical achievements on the basis of the Protocol for an Agreement of 21 April 1964.

It points out that only genuinely Community measures will have sufficient scope to remedy the accelerated decline of the coal industry in the Community countries. It hopes that decision 1/67 for coking coal will be extended beyond 1 December 1968.

It finds it regrettable that major steps affecting the future of coal production are too often taken by the States independently and trusts that a co-ordination of national coal policies may soon be secured at the Community level.

The Committee believes that increasing the Community's hydrocarbon supply security and strengthening the competitive position of Community enterprises make it imperative for the most suitable measures to be taken as soon as possible to enable firms in the Six to operate on the market under competitive conditions equal to those obtaining for the international companies. It would endorse the definition of Community enterprises given by the Council; this should enable the firms in the Six to obtain conditions of equal competition with the international companies.

With the elaboration of a genuine common policy for energy in the offing, the Committee deplores the lack of any reference in the General Report to the prospects held out by the forthcoming merger of the Treaties.

3. With regard to the policy for research and technology, the Committee thinks that it has become impossible for the countries of Europe to pursue a genuine scientific and technical research policy.

The implementation of a common policy for research should have two aims:

- (i) eliminating legal and fiscal obstacles and anomalies standing in the way of such a policy;
- (ii) co-operation in areas of particular interest in terms of research and development.

Under these conditions, it is glad that the Council drew attention to the problems of (1) the articles of association of the European company; (2) European patents and (3) the harmonization of fiscal systems. It has noted with satisfaction the statements made by the Commission on the state of progress in this context.

It was very concerned, on the other hand, that the 'Maréchal Working Party' had suspended its activities; this was asked to show how the member States of the Community could co-operate in the seven key sectors chosen at the Council meeting on 31 October 1967: information, telecommunications, transport, oceanography, metallurgy, environmental nuisances and meteorology. Europe's backlog in some key sectors is too great for it to be able to afford the luxury of any further time-wasting in introducing a common research policy.

In this connexion, the Committee is glad to observe that the Commission also took exception to the suspension of the Maréchal Party's work and stated it would submit a report to the Council (if this work were to be suspended indefinitely) on prospects for Community co-operation in the seven spheres selected.

<sup>(1)</sup> The Committee on Energy, Research and Atomic Problems adopted this Opinion unanimously, less one abstention, at its meeting of 10 May 1968. The following were present: Messrs. Pedini, Chairman; Bousch, Vice-Chairman; de Lipkowski, Draftsman for the Opinion; Angioy, Berthoin, Hougardy, Jarrot, Lautenschlager, Lenz, Memmel, Oele and Springorum.

The Committee also believes that technological co-operation should be extended to other European countries, particularly the United Kingdom in view of that country's achievements.

It took note, in this connexion, of the strong terms in which the Commission indicated that the precondition of British membership could not be used as a pretext by the member States for avoiding the research endeavours incumbent upon them. In view of this the Committee was glad to have contacts with British experts, while regretting that these went no further than the stage of informal talks. It trusts that every opportunity for co-operation with the British will be put to advantage and that use will be made of the legal facilities available.

Both the Six and the United Kingdom are aware of the need for a joint effort on scientific and technological research but the Committee is not without misgivings over evidence of policy trends directly at odds with this attitude; examples are the recent British decision to withdraw from the European telecommunication satellite programme and to restrict its participation in ELDO, the Italian decision not to finance the ESRO space programme and the British and German reluctance to participate in building a European particle accelerator.

In any event the talks with the British gave the Committee an opportunity to make its views clear on the need for promoting integration by sectors, wherever possible, in the various joint efforts on research and technology.

The Committee stresses the need for close links between scientific research and the policies for education and industry which are their natural corollary.

4. With regard to atomic policy, the Committee took note of the Council decision of 8 December 1967 which led to the adoption of an interim programme restricted to one year. It regrets the fact that it was not possible to launch a third five-year action programme. Indeed, this recourse to an arrangement of supplementary programmes shows that Euratom is in a serious state of crisis. Provided it can be resolved, this crisis could be of some value because it should lead to a frank analysis of the reasons which have led to Euratom's paralysis and it should

induce those involved to draw the relevant conclusions for making a new departure.

In this respect the Committee notes with interest that the Commission seems to have learned the lessons of the past so that the errors which have until now paralyzed Euratom can be avoided in future.

Indeed, after ten years of efforts there is still no coherent policy for nuclear energy; there is no truly European proven reactor string; with regard to reactors of the second generation, there is only the Orgel project which itself raises a certain number of questions. As for the fast reactors, Euratom has not succeeded in co-ordinating the different programmes of the member States so that today one is confronted with competing projects.

Under these conditions, the Committee welcomes the efforts made by the Commission to overcome this paralysis and commends the realism it has shown in articulating various co-operation arrangements to make better use of its powers.

As the Council observed, these powers have so far been limited by the unanimity rule.

There will in future be three alternatives:

- (a) the joint programme calling for unanimity;
- (b) supplementary programmes which will involve the States concerned and the common enterprises with financial participation by the Six according to a different apportionment key;
- (c) the possibility of association with third countries.

This realistic assessment justifies the hope that Euratom may get off to a new departure and the Committee calls on the Commission to demonstrate a vigorous approach both in the choice of action programmes and in the use of its powers.

Lastly, it is glad to acknowledge that both the Commission and the Council are increasingly aware of the need to build a European isotope separation factory for without this the European countries will be seriously dependent on the United States for their supplies of enriched uranium.

Conclusions to the Opinion of the Transport Committee <sup>(1)</sup>

Draftsman: Mr. Brunhes

1. The General Report on the activity of the Communities in 1967 discusses transport policy in paragraphs 229 to 249. We should like to draw attention to the statement made in paragraph 229:

'The salient feature of the period covered by this report was a major decision for the common transport policy which was taken at the Council Session of 13 and 14 December 1967.'

This clearly means that no major decision was taken prior to 13 December 1967. The Transport Ministers met on the Council on 20 October 1966 and passed a resolution, the least that can be said of which is that it recorded some disagreement between the member States but proposed what might be described as a working method for solving the problems arising. There was no meeting of the Council of Ministers between 20 October 1966 and 13 December 1967; one must conclude that it is only this omission by the Council to which exception may be taken: indeed Parliament has constantly drawn attention to the dangers of this negative attitude, especially since the Council envisaged accelerating the customs union, the results of which could be jeopardized by anarchy in the sphere of transport. The Commission of the European Communities took the place of the three existing Executives during 1967 so that the new Executive is responsible for applying both the Treaties of Paris and of Rome; the transport provisions of the Treaty of Paris (concerning coal and steel) are not the same as those in the Treaties of Rome; this is why the First General Report includes special paragraphs (242 to 249) on the implementation of the provisions of the Treaty of Paris.

2. We should also like to point out that the Commission of the European Economic Community did a great deal of work and made numerous proposals. These have been submitted to us and have been adopted by Parliament but the Council has not dealt with them.

As for the new single Commission, this began work at once and, under the impetus of Mr. V. Bodson, drew up a complete programme, part of which could come into operation as soon as the Council adopts its operating principles and arrangements.

3. The balance sheet for 1967 therefore would have been very disappointing, judging by the General Report, if the year had not closed with the definite Council decisions of 13 and 14 December, which we shall discuss further on.

4. One important incident for the common policy was the submission by the German Government of a Bill design-

ed to bring about a radical change in Germany's transport system. Indeed, these measures, to operate within the Federal Republic, would not be within the Community's terms of reference if some of them did not have important implications for international transport and links with other countries. The Federal Government applied the Council decision of 21 March 1962 (introducing a system of prior consultations) and communicated with the Commission about its plans; the latter, having a real sense of its responsibilities, studied these texts and made a recommendation to the Federal Republic; it approved certain parts of the Bill, particularly those concerning its aims, but made a series of reservations on points liable to raise incompatibilities with the Treaty and with some measures which appeared inconsistent with the general emphasis of the common transport policy. At the same time the French Government, in its Finance Bill for 1968, created a tax on the use of infra-structures for certain road vehicles and this was also the subject of consultations. This step is to be regretted because the study of infra-structure costs for the various forms of transport is in progress in the Community and should make it possible to agree on a joint method for defining infra-structure costs for all forms of transport; it will then be necessary to determine how these costs affect the cost-prices of transport itself. The Transport Committee trusts that these studies will be published as soon as possible.

5. To prevent any confusion, it is worth recalling the division of responsibilities between the bodies set up by the Treaties:

- (a) under Article 75 of the Treaty, the Council has the sole responsibility for adopting the essential measures to implement the common transport policy;
- (b) the Permanent Representatives Committee, which does a great deal of work in preparing the texts, only acts on instructions from the Council of Ministers; it is clear that the Ministers, who do not meet very often and then only for a short time, need some body to prepare their decisions; but these delegates cannot do any useful work unless they are in complete agreement with the Commission, to whom the Treaties entrust the task of drawing up the common policy; such an agreement exists and the Commission is present at the deliberations of the Permanent Representatives Committee;
- (c) collaboration between the Commission and Parliament's Transport Committee is excellent; if the construction of Europe is to progress harmoniously, it is certain that the general public in the six States (which Parliament represents) must be informed about the large-scale technical measures proposed by the Commission: this will ensure future success and we trust, with regard to all forms of transport, that we are now on the right course. Yet the six governments must avoid any domestic measure which could jeopardize the implementation of a common policy. We are well aware of the importance of this viewpoint.

<sup>(1)</sup> The Transport Committee unanimously adopted this Opinion at its meeting of 22 April 1968. The following were present: Messrs. Posthumus, Chairman; Brunhes, Vice-Chairman and Draftsman; Richarts, Vice-Chairman; Apel, Boertien, Bousquet, Cousté, De Clerq, De Gryse, Fellermaier, Jozeau-Marigné, Marengi (deputizing for Mr. Ferrari), Memmel, Moro (deputizing for Mr. Carcaterra), Oele (deputizing for Mr. Faller) and Riedel.

Conclusions to the Opinion of the Committee for the Association with Greece<sup>(1)</sup>

Draftsman: Mr. Faller

1. With regard to the Association with Greece, the Committee will not depart from the attitude referred to earlier on until normal parliamentary democratic life is restored in Greece and until fundamental human rights and political and trade union freedom are again respected.

With this in mind the Committee:

- (a) will make a close study of the draft constitution proposed by the Greek Military Government;
- (b) follow the preparations for and conduct of the referendum of the draft constitution to ensure that freedom of speech and freedom of thought are guaranteed;
- (c) will also ensure—should the draft constitution be adopted—that its provisions are actually applied.

2. Apart from the criticisms made in paragraph 1, that the General Report did not bring out any clear policy line, the Committee approves the work done by the Commission during the period under review.

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<sup>(1)</sup> The Committee for the Association with Greece unanimously adopted this Opinion at its meeting of 14 May 1968. The following were present: Messrs. Schuijt, Chairman; Berthoin, Boersma (deputizing for Mr. Illerhaus), Merchiers and Spénale.



Conclusions to the Opinion of the Committee for the Association with Turkey <sup>(1)</sup>

Draftsman: Mr. Hahn

1. The First General Report on the activities of the Communities only deals very briefly with questions arising in this Association. It is regrettable that there is only a brief reference to the work of the Joint EEC-Turkey Parliamentary Committee, particularly the recommendations passed at the fourth meeting at Izmir.
2. The main points to which the General Report refers, without going into detail are, as the Committee sees it:
  - (a) continuing negotiations on the Association Council on widening the scope of Article 6 of the provisional Protocol annexed to the Ankara Agreement to cover some Turkish exports (such as olive oil) in response to a Turkish request, even though no agreement has so far been reached on the Association Council;
  - (b) working out a general system for the main citrus producers in the Mediterranean Basin and consultations with Parliament about this in due course;
  - (c) preparatory work in due course on a new financial Protocol;
  - (d) looking into ways in which the Community can help in setting up industrial development areas in Turkey;
  - (e) diligently continuing the preparatory work on Turkey's transition to the second (transitional) phase of the Association;
  - (f) looking into ways of improving the position of Turkish workers as compared with that of third country workers on the Community labour market and making arrangements for their occupational training.
3. The Committee draws the attention of the Commission to the problems connected with approximating the Turkish and Community economic policies (Article 4 of the Ankara Agreement). These problems are not mentioned in the General Report.
4. The Committee recalls the fact that it would like the Commission to attach greater weight to the discussions of the Joint Parliamentary Committee.
5. The Committee trusts that the Commission will give more space to questions connected with the Association with Turkey in its future General Report.

<sup>(1)</sup> The Committee for the Association with Turkey unanimously adopted this Opinion at its meeting of 10 May 1968. The following were present: Messrs. Moreau de Melen, Chairman; Mauk, Vice-Chairman; Hahn, Draftsman for the Opinion; Bergmann, Brunhes, Klinker, Moro, Naveau, Raedts, Terrenoire and Wohlfart.

Conclusions to the Opinion of the Committee on Relations with African States and Madagascar<sup>(1)</sup>

Draftsman: Mr. Spénale

I—*The EEC-AAMS Association*

With one year to go before the Yaoundé Convention expires, a backward glance at the way the EEC-AAMS Association has operated prompts the following conclusions:

1. The institutions provided for under the Convention have proved to be well-balanced structurally and relations between executive and parliamentary bodies have been good: there have been regular discussions between the institutions because Council representatives have regularly attended the meetings both of the Joint Committee and of the Parliamentary Conference. The wish expressed at the Conference's meeting in Rome in December 1965 for greater co-operation between the institutions, with all due respect for the independence of the contracting parties, so as to bring a new partnership into being, has thus been fulfilled.

2. The General Report shows that trade between the AAMS and the Six has assumed a Community character. France's share in Community exports to the AAMS has fallen in value relative to the exports of the other member States which all increased. This also applies to imports by the Six from the Associated States.

A second, and less favourable, conclusion is that the nature and volume of trade remains one of the weak points of the Association. Despite aid to production and diversification, deterioration of the terms of trade has continued. Changing production and marketing structures is a long-term task whose results cannot be assessed during the term of the present Convention. It will probably be possible to ward off structural falls in the prices of AAMS products through agreements under which Community importers undertake to observe a certain level of 'conventional' prices in return for a measure of restraint in the volume of production of the AAMS.

The Commission should propose bold solutions to this problem in the next Association term. The governments of the Six will have to be more receptive to realistic proposals which guarantee a minimum purchase price to AAMS producers if they at the same time undertake not to make a situation of surpluses worse.

3. As regards the work of the European Development Fund the Committee welcomes the emphasis placed by the General Report on co-operation in the field of manpower because this is essential for sustained progress. The AAMS are well aware of this, and it is understandable that the EDF should have appropriated a larger proportion of its resources for AAMS projects covering training.

The Commission, which administers the EDF, has acted imaginatively in diversifying the procedure for granting scholarships increasing on-the-spot training experiments in various branches of the AAMS economies and endeavouring, in a general way, to gear training to the specific needs of firms and of AAMS economic expansion. The manpower training need is so great that the Commission is to be congratulated for fixing certain priorities and for looking into the prospects of a satisfactory return on scholarships awarded to AAMS nationals, and the Committee can only encourage the Commission to continue its work in this field.

4. In concluding with the eighteen African and Malagasy States an association that has become an inseparable, and politically important, part of its structure, the Community has solved the problem of development in a highly original and effective way.

II—*Negotiations with Maghreb countries*

5. The Commission intends to conclude a preference agreement with Tunisia and Morocco in the near future, a move of which the Committee approves. It will have to make sure that the concessions made regarding olive oil and citrus imports do not jeopardize the market for Community products.

6. Pending the start of negotiations with Algeria, the Commission must make proposals for a unilateral trade system to be applied by the Six to Algerian products. The situation at present is chaotic for there is no Community regulation suited to the legal situation obtaining since Algerian independence; Algerian products are sometimes given 'third country' treatment and sometimes preferential treatment according to the discretion of the member States; this must be remedied in response to the Algerian request as a matter of urgency.

It would be easier for the Community to negotiate in future if the Algerian Government would make some gesture towards compensating the Community nationals 'repatriated' from Algeria; this would certainly make the negotiating atmosphere more favourable and would encourage Community enterprises to invest in that country.

III—*Negotiations with other African countries*

7. Bearing the renewal of the present Association with Nigeria and possible future agreements in mind—with the East African countries, for example—the Community should endeavour to standardize on the conditions laid down in these various Conventions.

<sup>(1)</sup> The Committee on Relations with African States and Madagascar unanimously adopted this Opinion at its meeting of 9 May 1968. The following were present: Messrs. Thorn, Chairman, Spénale, Draftsman for the Opinion; Dupont, Colin, Schuijt (deputizing for Mr. Bersani), van Hulst, Armengaud, Briot and Troclet.

#### IV—General development problems

8. The New Delhi Conference did not yield very satisfactory results and the terms of trade are deteriorating at the expense of the third world; such considerations must prompt closer attention to general development problems; the Six governments must act more cohesively.

9. In many parts of the world, countries are suffering from chronic deficits and development action will be difficult in such areas; for this to be undertaken successfully calls for local populations that are free from the paralyzing pangs of hunger.

The main point is to improve the production of foodstuffs in the countries concerned, and food aid could be a great help to the development of some countries and some regions, albeit a temporary one. Progress with health and education depend on the foodstuffs issue.

In this connexion, the commitments entered into by the Community in the Kennedy Round are to be welcomed for they are a contribution to the effort being made by the industrialized States as a whole.

To make these commitments more effective, the Community should co-operate with the FAO in promoting a world food-aid plan. This could be drawn up for a five-year period and renewed every year to update it and bring it as closely into line as possible with the scale of needs and anticipated resources. This is consistent with the studies made by the FAO with a view to a guide plan drawn up for broad geographical areas.

10. Monetary liquidities are another important point; Ministers from the Six plainly demonstrated the cause-and-effect relationship between the level of international liquidities and development aid at several meetings of the IMF. The contemplated reform of the international monetary system ought to take into account the position of countries which have no liquidities, for this is important to the developing countries; and it must improve the way the existing volume is divided and increase reserve resources. Bearing in mind the poor exchange position of the less prosperous countries, the Community should support the request of the developing countries for a 'weak currency' pool which the IMF experts suggested<sup>(1)</sup>.

11. Apart from these two questions, aid for development in general naturally raises to the world level the problems facing the Association partners.

The General Report first discusses trade, indicating that Community imports from the third world might level off in 1967 after the highly favourable expansion which it underwent between 1958 and 1966.

This is of real concern because until now the Community has been the exception; since 1961 it has been the main customer of the developing countries.

12. The volume and value of trade with the developing countries is tending to level off, and the New Delhi Conference concluded with results that fell far short of the hopes of the developing countries.

The New Delhi Conference failed with respect to two key points:

<sup>(1)</sup> This suggestion was made by one of the six Finance Ministers at the Tokyo meeting of the International Monetary Fund; it is intended to help the developing countries out of difficulties resulting from their lack of strong currency reserves in regional equalization operations. It is to be hoped that this will step up the level of trade and promote economic co-operation between the countries concerned.

- (a) world agreements on primary products to stabilize prices at fair and profitable levels;
- (b) granting generalized preferences on semi-finished and finished products from the developing countries.

This last point was referred back for further examination as was the agreement on cocoa which seemed on the point of being signed.

The hopes of the developing countries are far from being fulfilled.

A fall in their sales to the industrialized countries has followed up the deterioration in their terms of trade and the two together have aggravated the problems of the third world, increasing the responsibilities both of the Community and of the industrialized nations as a whole.

13. The problems of manpower training and inculcating skills and technical abilities also face the third world in the same way as they face the AAMS. The same is true of the formation and transfer of capital.

If these problems are to be tackled on the scale demanded, there must be generous and realistic co-operation and an awareness that general balanced development is both a moral duty, an economic necessity and a source of mutual benefit.

14. The Community is aware of the importance of these tasks and of the relevant priorities; while respecting the independence of these countries absolutely, it has taken over the positive functions of the colonial countries.

The Committee not only approves the spirit of the Association, which is sometimes criticized (but which attracted sincere praise at the New Delhi Conference); at the same time it feels that when it is renewed, the resources appropriated for it should be increased.

The Community is also convinced that even if its work falls short in terms of the means available and its scope, the Association is a particularly interesting example of what could be done—if it were used as a model and improved upon—to promote economic, technical and cultural development and for the institutional organization of relations between industrialized and developing countries.

15. If there were general contacts between industrialized, semi-industrial and non-industrialized States, each would become more aware of the others' problems and a general development policy would probably begin to emerge to promote the international co-operation which is essential in dealing with today's key issues: peace, development, research and space.

16. The way in which the New Delhi Conference concluded may perhaps be regarded then as not particularly encouraging.

This is one more reason for not leaving anyone puzzled or disappointed.

For reasons connected with its structure, the experience of its member States, its associations, and its leading position in trade in primary products, the Community has exceptional opportunities and special duties in establishing relations of trust with the countries of the third world and in working out constructive solutions for balanced development everywhere.

The performance of this task must become the main aim of the Community's external economic policy and relations.

